

HOW COVID-19 IS RESHAPING HEALTH FINANCING PRIORITIES

March 2021

Outline

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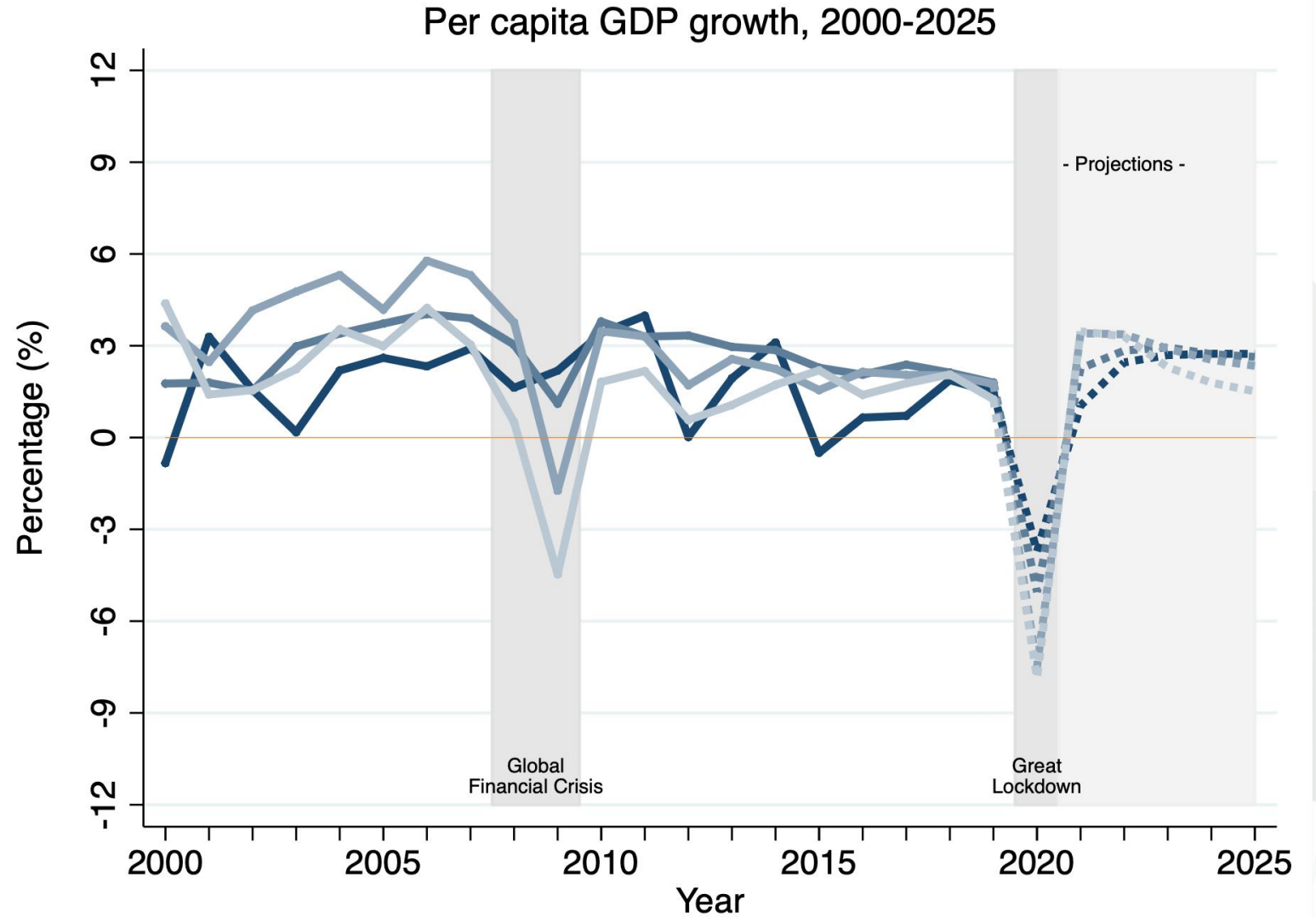


Macro-economic impact

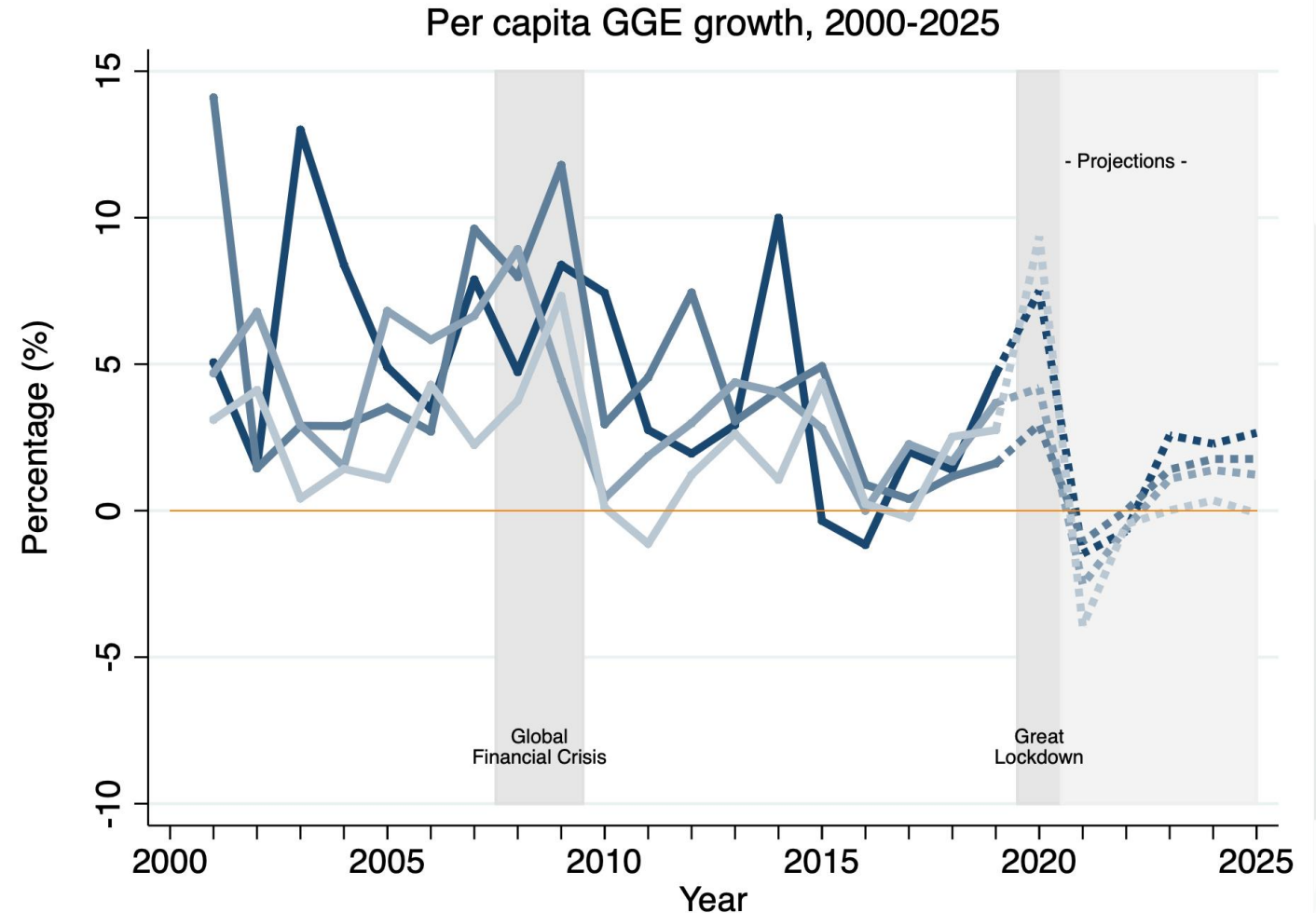
COVID-19 is double shock

- **Hits all countries**
- **Economic impact caused by a health shock that triggered immediate need to increase spending**

COVID-19 caused a deep global recession in 2020



Governments increased spending in 2020, but levels are projected to fall sharply in 2021



Impact on Health Spending



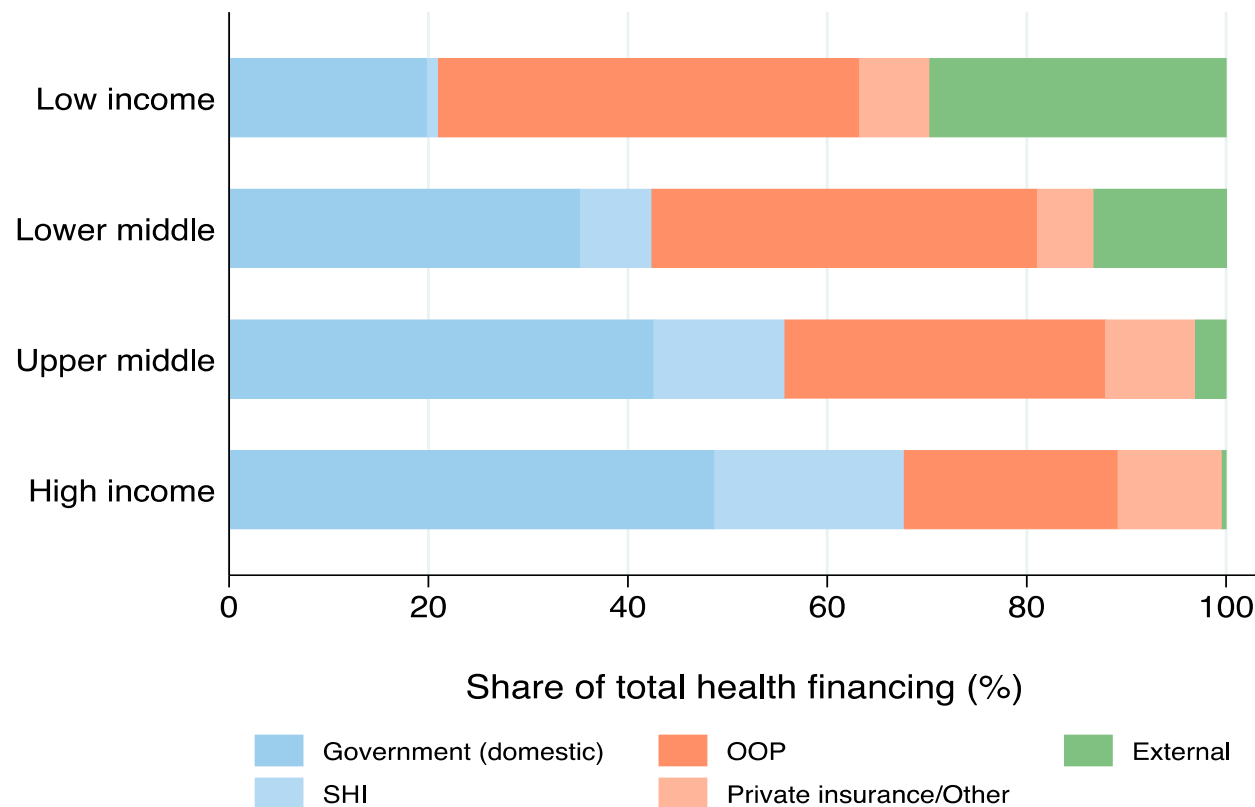
Economic crisis causes both governments and households to spend less on health

1.30

Income elasticity of government expenditure on health

0.88

Income elasticity of OOP



Four Scenarios of governments' commitment to health spending

1

Procyclical

Government decisions about per-capita health spending follow the same, procyclical observed in the past

2

Status quo

Governments choose to hold the pre-pandemic share of health in government spending constant

3

Pro-health spending

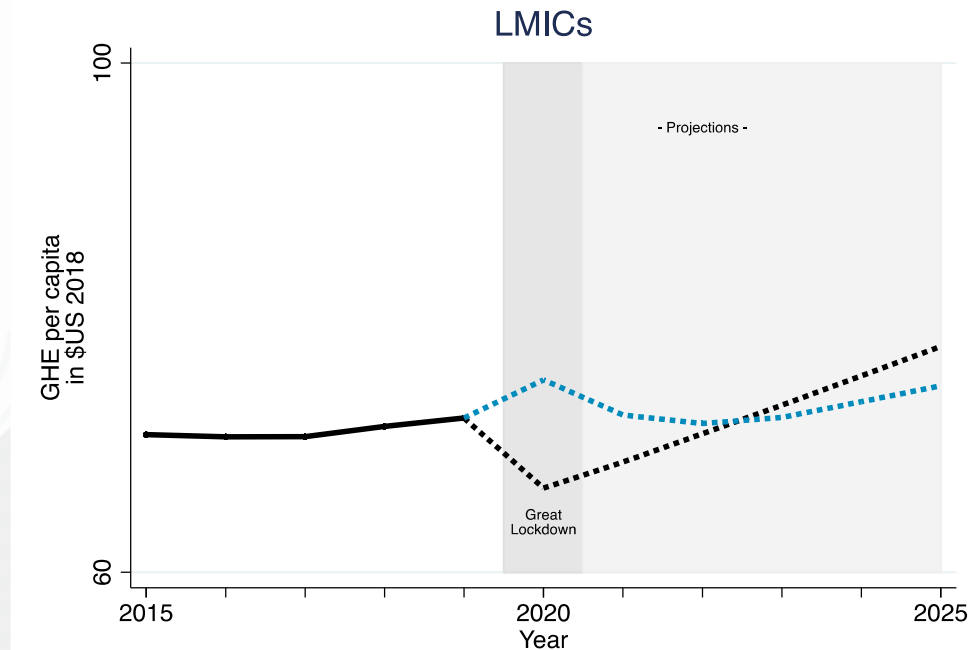
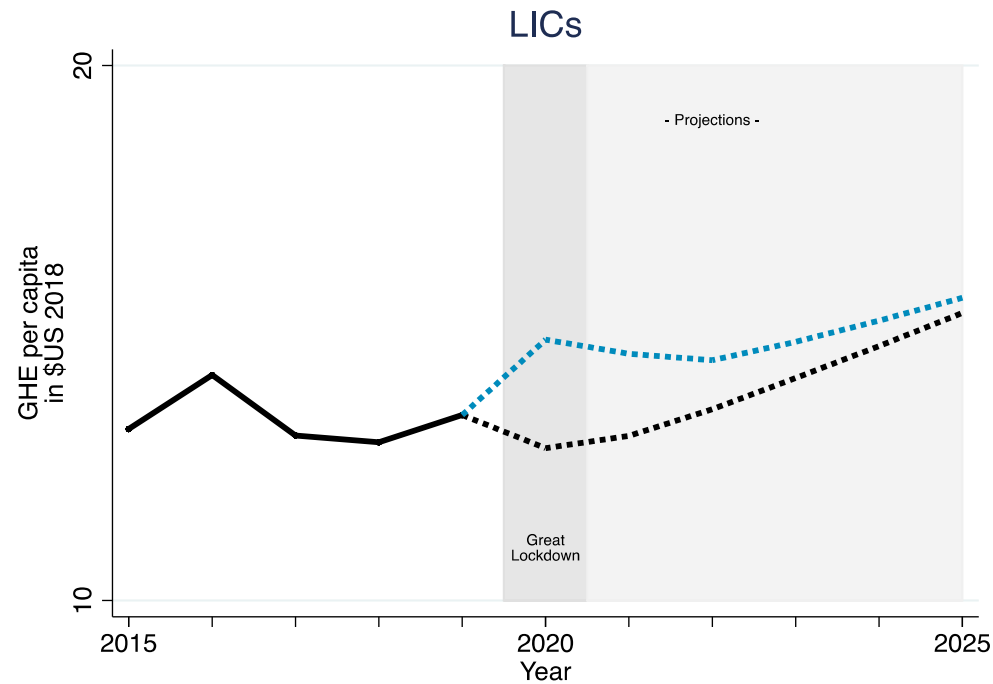
Governments protect the pre-pandemic trends in the growth of per capita government health spending

4

Ambitious health spending

Governments increase spending at the pre-pandemic growth rate, compensating also for lower OOP

LICs expected to more quickly reach pre- pandemic levels of government health spending

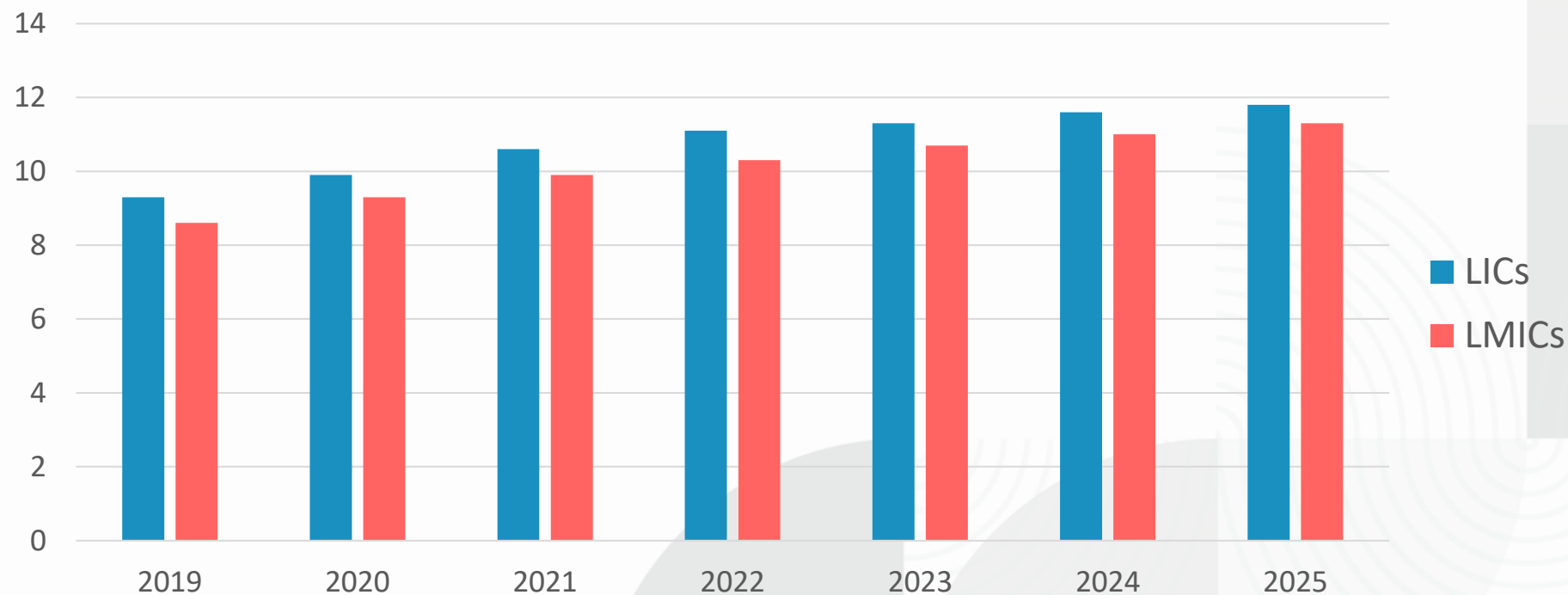


**Unless health receives higher priority,
Development Assistance for Health
likely to fall.**

**Combined with lower out of pocket
payments this risks to reduce resources
for essential health services for longer
period.**

Development Assistance stagnated after the 2008-2009 financial crisis. With the economic shock mostly impacting high income countries, IMF estimates Development Assistance to fall each year until 2025.

Share of health in government spending needs to increase to just protect trend growth in government spending and offset OOPs



Share of health in government spending to protect trend growth in per capita government spending and offset lower OOPs (scenario 4), 2019-2025

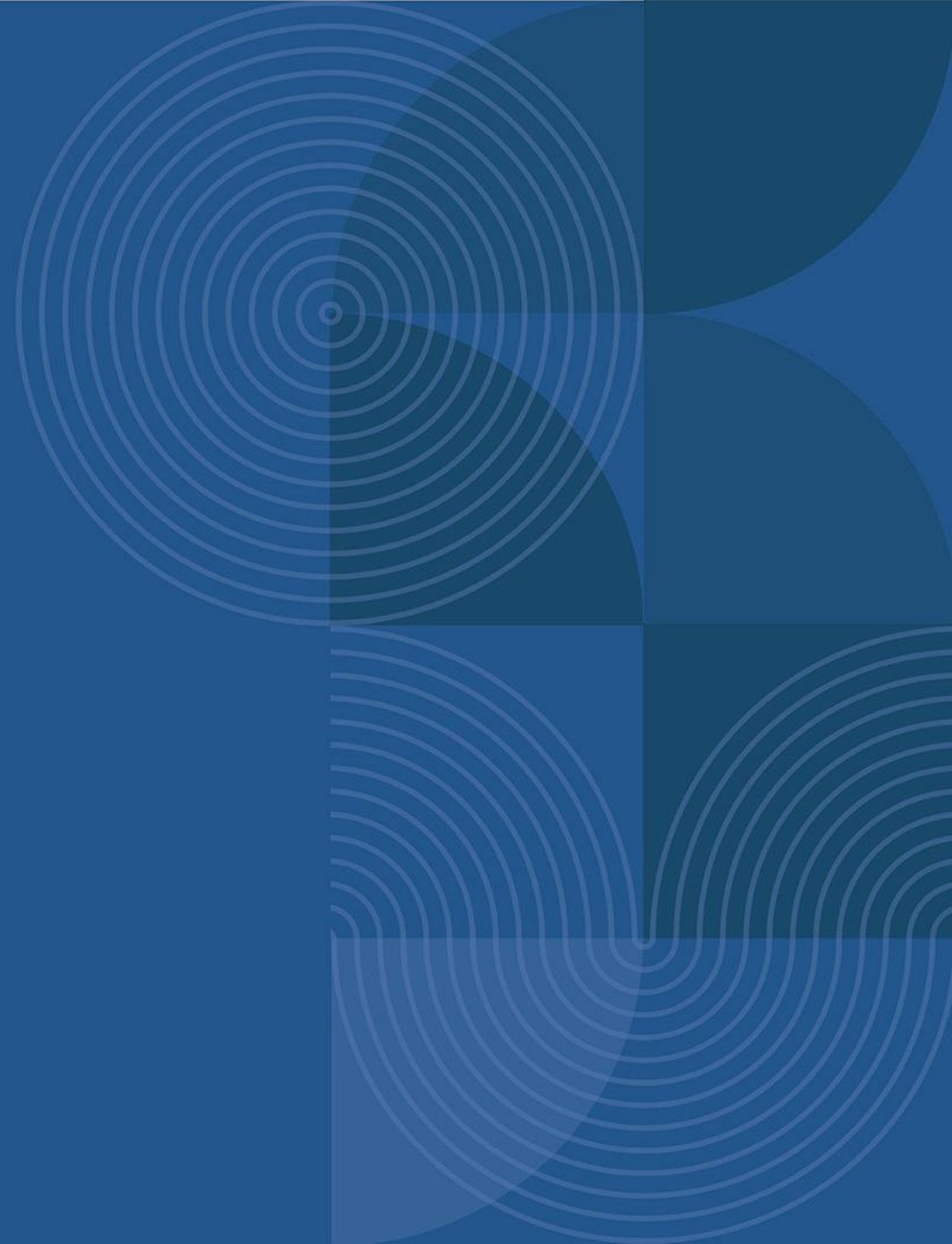
Policy options

- **Countries have a choice,
even in times of economic
contradictions**

Policy options to sustain government health expenditures

Health Sector Reforms	Social Health Insurance	External Financing	Domestic Resource Mobilization
<p>Spending ↑ linked to UHC reforms: Extending entitlements and deepen financial protection for vulnerable populations</p>	<p>Draw on reserves, reduce reserve requirements</p>	<p>↑ ODA</p>	<p>Introduce and/or increase rates of pro-health taxes</p>
<p>Roll back PFM and HF emergency policies that undercut efficiency in the longer term</p>	<p>Increase contribution rates</p>	<p>↑ share of external financing allocated to health, including from additional fiscal space generated through debt relief</p>	<p>Reduce levies and taxes on medical goods and services</p>
<p>Address persistent efficiency issues</p>	<p>Raise or abolish contribution ceilings</p>	<p>Improved efficiency of DAH</p>	<p>Remove or reduce tax exemptions for voluntary private health insurance and OOP</p>
<p>Ensure budget absorption</p>	<p>Extend contributions to all forms of earnings / income</p> <p>Improve collection of contributions</p>	<p>Ensure focus on EHS</p>	

What can be done?



Tools to boost budgets

- **Spending reviews**
 - Develop savings plans based on evidence
 - Protect important budget lines through spending floors
- **Macro-fiscal analysis**
 - Simulation exercises to assess the impact of fiscal and other policies on economic growth
- **Earmarking**
 - Identify high priority programs as a target for earmarked funds
- **Social health insurance**
- **Health taxes**
- **Additional tax policies**
- **External financing**
 - Wave tariffs for medical supplies
 - Avoid surge in funding through ACT-A to come at the cost of investments in health-system strengthening
- **Debt relief**
 - Increase health officials' understanding of management and governance arrangements of debt relief arrangements
- **Efficiency gains**
 - Public-private partnerships, task shifting, accelerated deployment of telemedicine, expanding conditional cash transfer programs
 - adjustments to PFM rules to release of funds and shift more resources and power over spending decisions to the system frontlines

The GFF Partnership is well placed to provide technical assistance and resources to protect essential health spending

- DRUM window for technical assistance on boosting budgets
 - collaboration with WHO on RMET-NHA and policy matrix for monitoring budgets and identifying strategic cuts
- Joint budget advocacy work with WHO, GF, Gavi and UHC2030
- Sustainable Health Financing Accelerator to support efficiency agenda
- EHS grants to ensure continued focus on health systems strengthening
- Increased collaboration with Social Protection to address demand side barriers
- Monitoring of utilization of/spending on essential services and financial barriers

Countries hit by an unprecedented shock. Spending on vulnerable populations should remain a priority

- Countries need to boost health budgets to enable robust recovery
- Equity needs to be front and center when making budget cuts
- Tools exist to support with this – GFF well placed to support with their implementation
- International community has a responsibility to continue to a growth path in external assistance

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