Health Financing: Achieving More with the Available Resources

GLOBAL FINANCING FACILITY

SUPPORTED BY WORLD BANK GROUP

24 April, Washington D.C.

FIFTH INVESTORS GROUP MEETING

Agenda

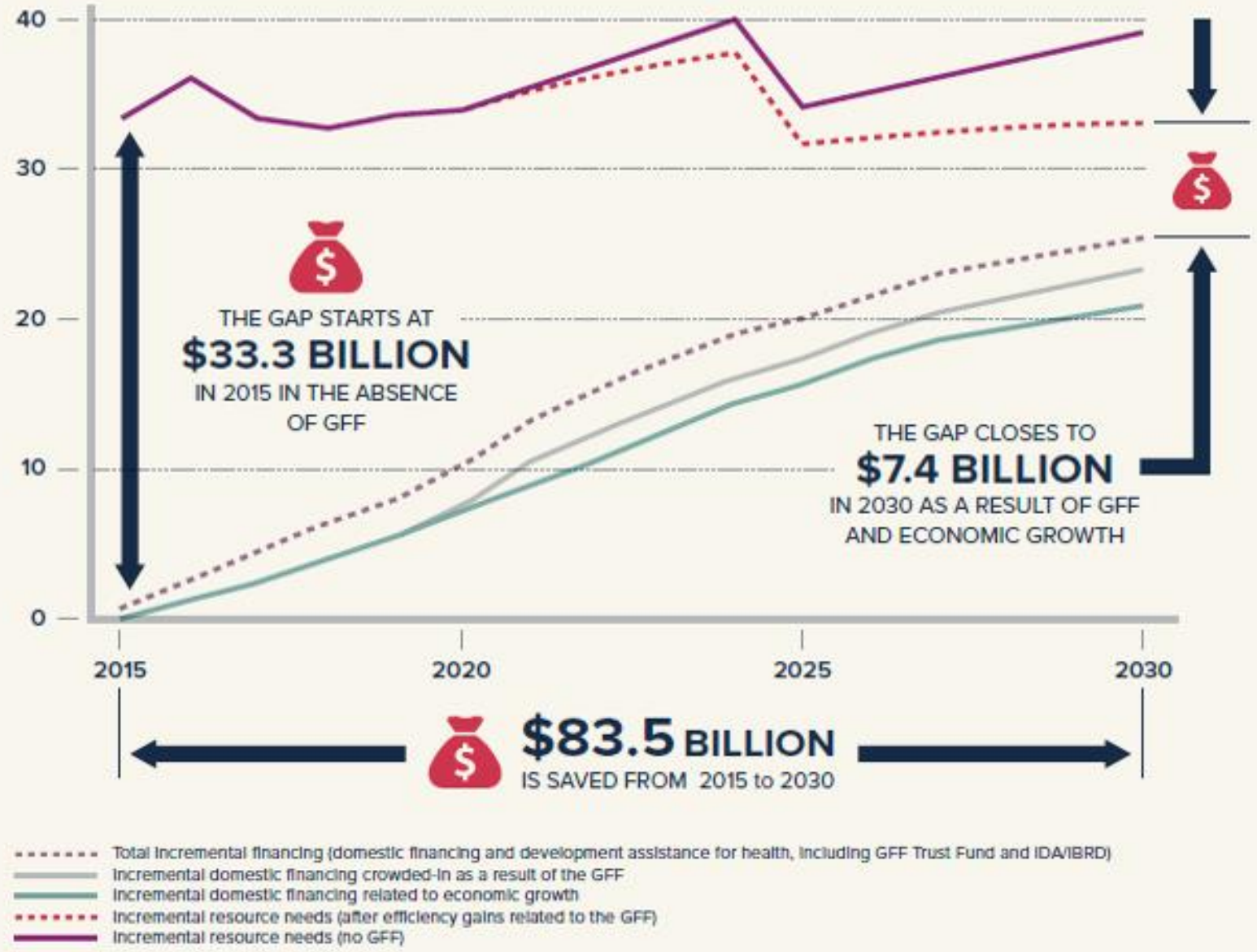
Topic: Efficiency

- Part 1 : Why is efficiency important to the GFF?
- Part 2: What is efficiency and main sources of inefficiency?
- Part 3: Measuring efficiency
- Part 4: GFF's approach to supporting countries to improve efficiency & lessons learned

Reference: IG5 paper 4. Based on initial work by GFF Secretariat and UHC Financing Forum Background Paper.

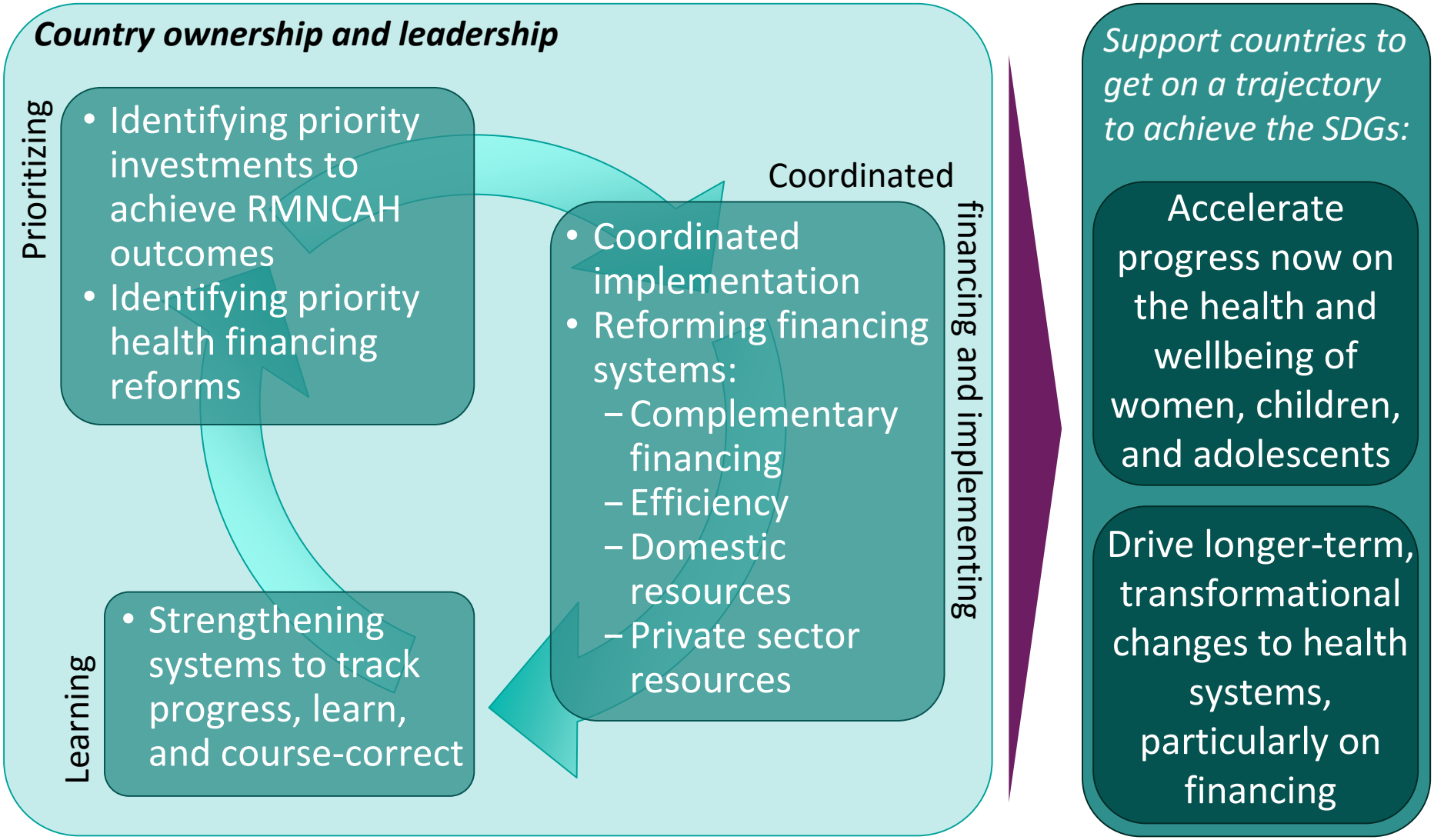
Part 1: Why is efficiency important to the GFF?

GFF objective: bridging the funding gap for women's, adolescents', and children's health



The combined effect would **prevent 24-38 million deaths** by 2030

Addressing inefficiency key for larger GFF vision



By improving efficiency large resources are freed up for RMNCAH

- WHO estimates that 20-40% of health resources are wasted due to inefficiency
  - Eliminating inefficiencies in GFF countries would free up US$12-24.1 billion or US$13.5- US$27 per capita yearly
  - These resources could be reinvested in RMNCAH
- To show that resources are well spent and benefit mostly disadvantaged groups are powerful arguments in budget negotiations with the MOF
  - Improving efficiency is critical for domestic resources mobilization (“scaled” financing).

Part 2: What is efficiency and main sources of inefficiency?

What is efficiency?

- Efficiency is about maximizing outcomes relative to inputs i.e. achieving more with available resources
- Efficiency analysis commonly aims to answer two questions:
  - Allocative efficiency – "doing the right thing"
    - Are resources allocated to provide an optimal mix of goods and services that maximizes benefits to society?
  - Technical efficiency – "doing things the right way"
    - Are the least amount of resources used to produce a given mix of goods and services and do they produce the maximum possible?
  - Are interventions delivered "in the right place"? (for e.g. primary, community, secondary or tertiary care; geographical distribution; inpatient/ambulatory; social/health sector)

- A critical part of "Smart" financing.

Main sources of inefficiency

Doing the wrong things

- High cost low-impact vs. low cost high-impact services
- Preventative vs. curative services

Doing things in the wrong place

- Provision of services at higher-level (e.g. tertiary) institutions instead of lower-level institutions (e.g. primary care)
- Lack of mechanism to ensure continuity of care

Spending badly

- **Inputs**
- *Medicines*: under-utilization of generics or paying too much
- *Infrastructure and equipment*: under or over-capacity in health facilities
- *Personnel*: Inappropriate mix of cadres
- *Inappropriate mix of inputs*: health workers but no medicines
- **Outputs and outcomes**
- Unnecessary tests, procedures, visits
- Inappropriate length of stay
- Medical errors and low quality of care
- **Health Financing and Health System Organization**
- Waste, corruption, fraud
- Fragmentation
- Administrative inefficiency, low budget execution rate, poor PFM

Part 3: Measuring efficiency

Measuring efficiency

MACRO-EFFICIENCY

- Efficiency of a health system as a whole
- Approaches:

  -Stochastic frontier production function analysis (parametric)

  -Data envelopment analysis (DEA) (non-parametric)

MICRO-EFFICIENCY

- Each indicator captures an aspect of efficiency
- GFF proposed indicator

Macro-efficiency analysis: GFF countries on average perform slightly better than low and lower-middle income average

- This form of analysis helps identify which countries offer the greatest potential to improve efficiency and is useful for benchmarking
  - Why are Bangladesh, Myanmar and Vietnam more efficient in terms of child and maternal survival while Cameroon is relatively better for maternal survival?

ON THE OTHER HAND

- No help in understanding the causes and how to improve efficiency;
- Results sensitive to model and variables, and how efficiency is measured

Data Envelopment Analysis (DEA) Results

Country	Child Survival		Maternal mortality	
	Ranking	Score	Ranking	Score
DRC	3	0.99	2	0.93
Ethiopia	7	0.86	8	0.75
Bangladesh	8	0.84	14	0.72
Guinea	10	0.82	7	0.76
Mozambique	11	0.82	11	0.74
Myanmar	12	0.81	21	0.69
Senegal	15	0.81	22	0.69
Liberia	20	0.79	17	0.70
Vietnam	22	0.78	62	0.54
Tanzania	31	0.77	34	0.65
Uganda	33	0.77	32	0.66
Guatemala	36	0.75	69	0.52
Kenya	41	0.74	39	0.63
Cameroon	46	0.73	28	0.67
Nigeria	72	0.63	45	0.60
Sierra Leone	74	0.60	46	0.59
Average LMIC countries	-	*0.75*	-	*0.64*
Average GFF countries	-	*0.78*	-	*0.68*

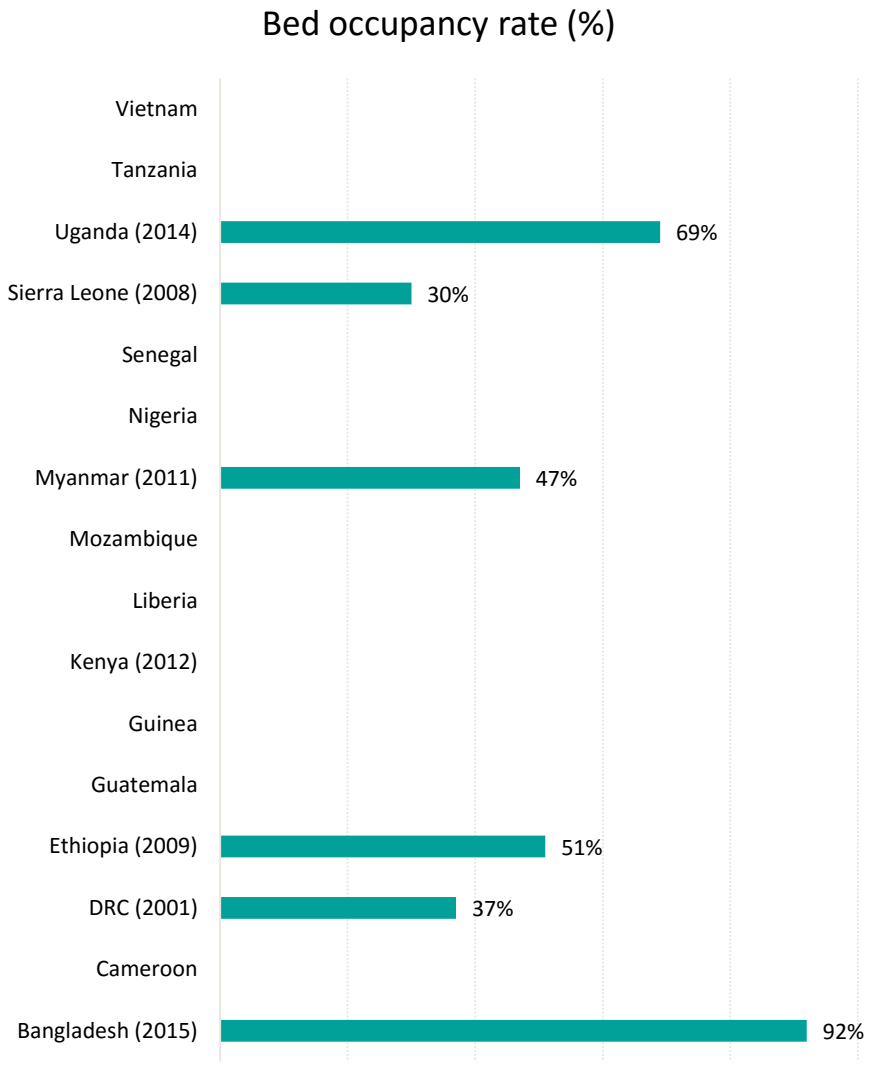
Source: WHO GHED

Micro-efficiency analysis: Data availability and cross-country comparisons are challenges

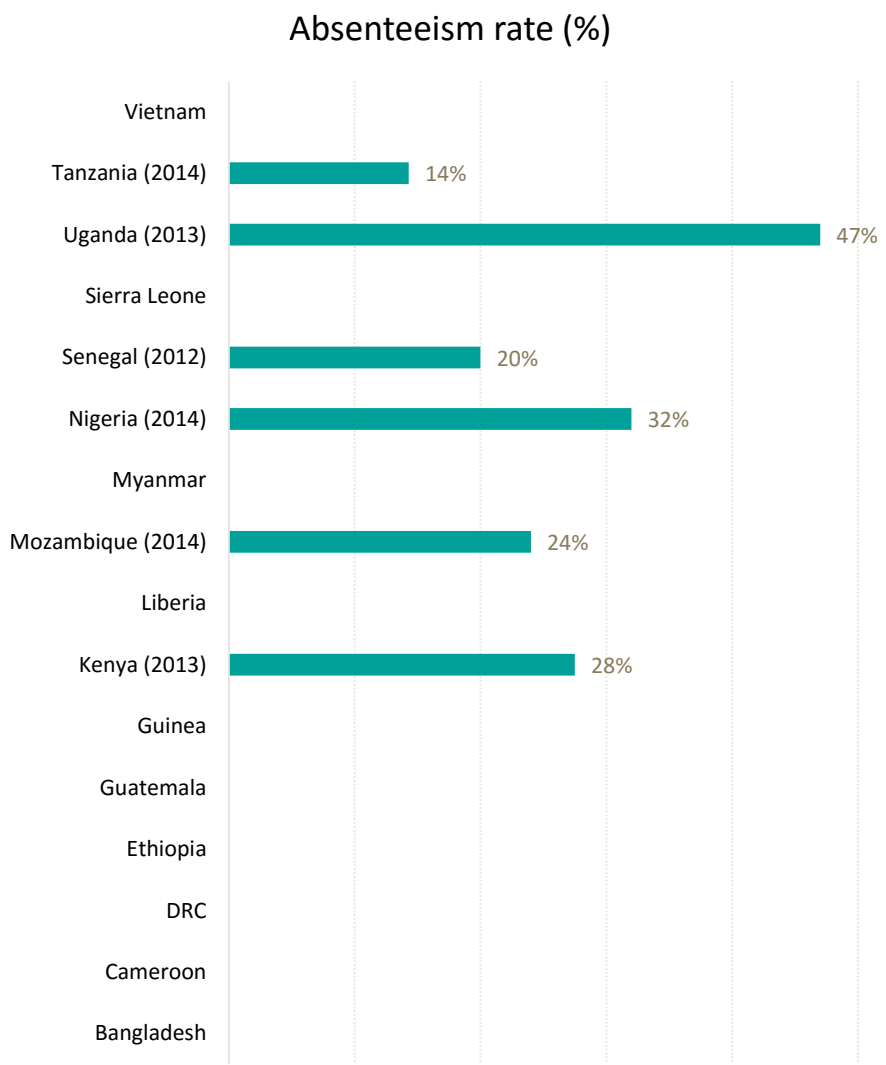
1. Systems for routine data collection do not always capture indicators that help identify key causes of inefficiency
2. Yardsticks are not always clearly defined:
   - Challenging to determine what is efficient (e.g. % of health expenditure that should be allocated to primary health care)
3. Countries do not necessarily perform relatively well or relatively badly on all indicators

-> Need to define country specific efficiency indicators for inclusion in Investment Cases and Health Financing Strategies

1. Routinely reported data are sparse and scattered



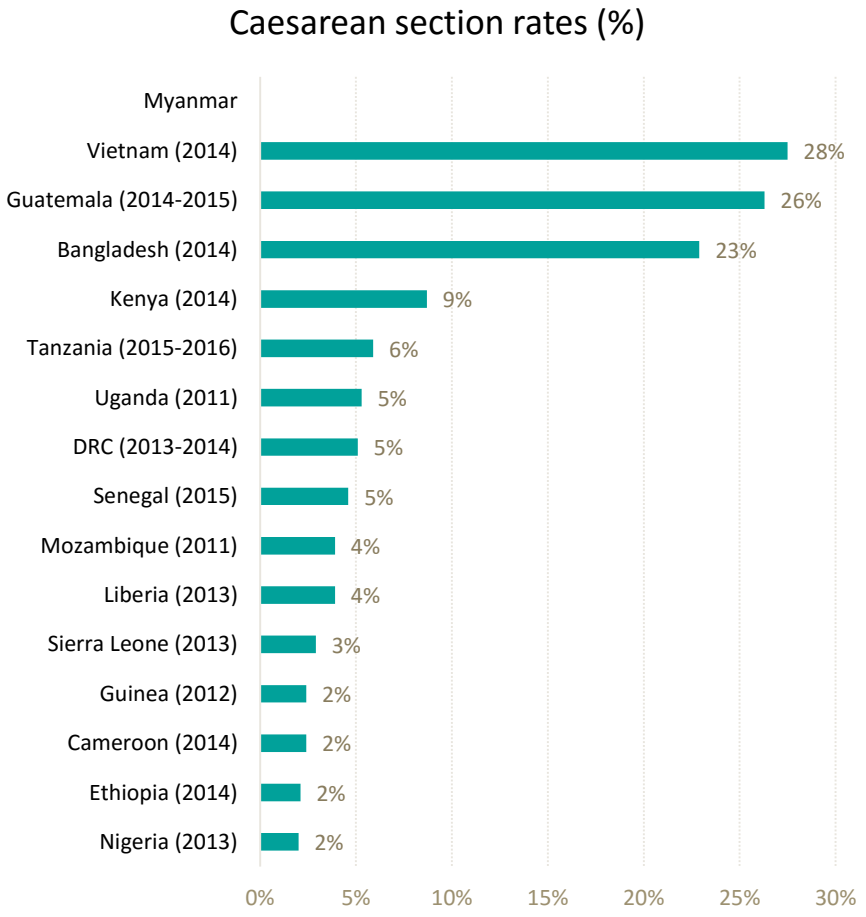
Source: Public Expenditure Reviews



Source: World Bank SDI

2. Yardsticks are not always clearly defined

Caesarean section rate per 100 live births should be somewhere between 10% and 15% on medical grounds.



Source: UNICEF

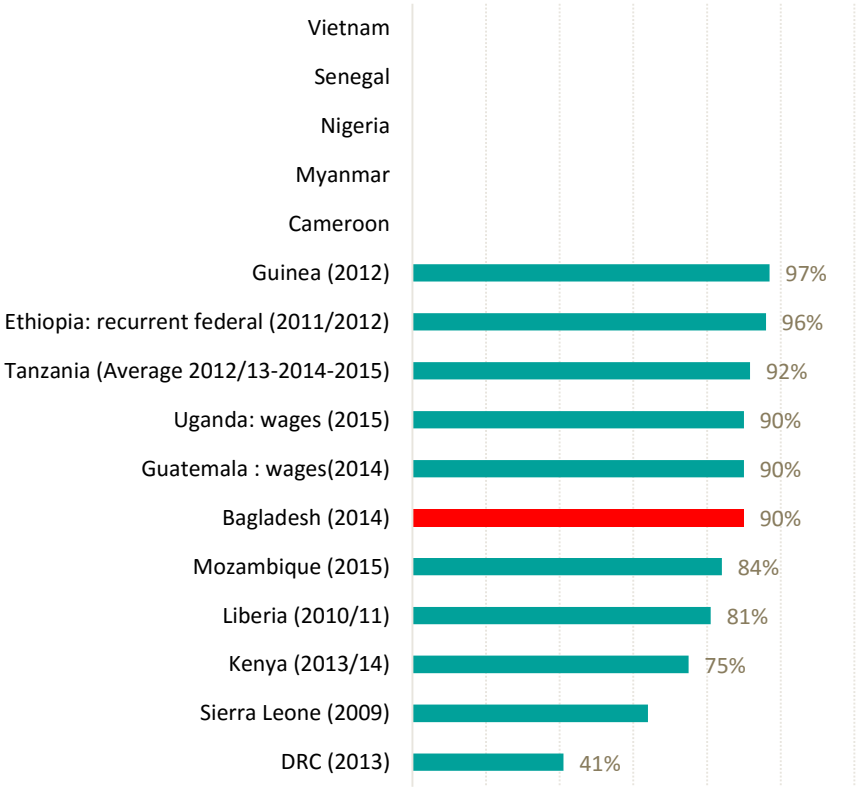
No benchmark for number of consultations per day

Source: compilation from PERs, SDIs, OECD

3. Country performance varies by indicator used

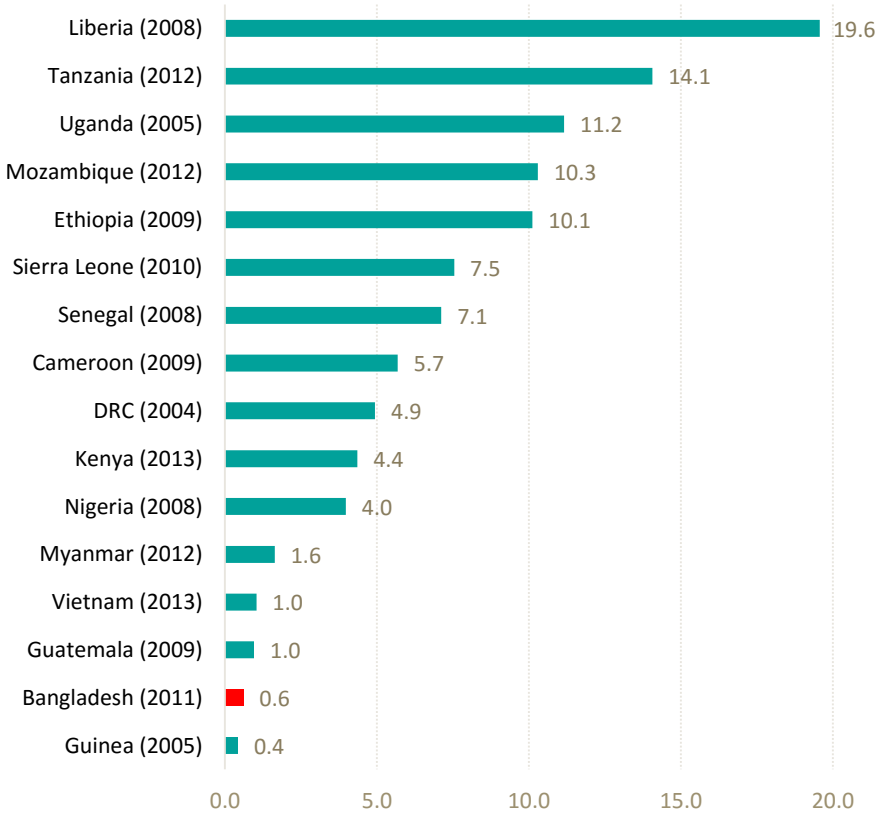
For example, Bangladesh is a high performer in executing health budget. However, Bangladesh has a low ratio of nurses and midwives to physicians.

Budget execution rate (%)



Source: Public Expenditure Reviews

Ratio of nursing and midwifery personnel to physicians



Source: Global Health Observatory

Lessons from measuring efficiency

- Most (GFF) countries do not systematically review the efficiency of their health systems and how it changes over time
- There is a need to strengthen data on efficiency
- To do this (GFF) countries need to invest in systems for routine data collection
- Partners can provide valuable financial and technical support for these systems

Part 4: GFF's approach to supporting countries to improve efficiency & lessons learned

Achieving more with available resources

"Happy families are all alike; every unhappy family is unhappy in its own way."

– Leo Tolstoy

Causes of inefficiency:

- Doing the wrong things
- Doing things in the wrong places
- Spending badly

Systematically addressing inefficiency:

1. Identify key root causes of inefficiency through structured discussions with stakeholders
2. Examine available data on efficiency
3. Agree on national priorities (considering political ownership, feasibility, etc.)
4. Develop country-tailored strategy and targets for reducing inefficiency
5. Implement strategy
6. Continually monitor progress and modify strategy as necessary

Measure, Benchmark and Learn

MEASURE

GFF countries will report on health financing indicators to track progress in addressing inefficiency (long/short term)

BENCHMARK

Publicize data

Disseminate success stories & failures in addressing inefficiency

LEARN

Investments in learning & evaluation (building on HRITF)

Joint learning (yearly GFF learning workshop, JLN, webinars)

Addressing inefficiency
Lessons learned and challenges (1)

IC process key driver of efficiency

- Prioritization process shifts focus to geographical areas most in need and high impact interventions
- Multisectoral response can be more cost-effective
- Scan of private sector initiatives provides opportunity for more strategic engagement
- Duplication and transactions costs of external financing decrease

Country-tailored strategies needed

- **Kenya:** Case studies on addressing inefficiency in 6 counties
- **Uganda & Cameroon:** Performance-based financing
- **Mozambique:** disbursement linked indicators to drive system reform
- Requires country specific efficiency indicators

Addressing inefficiency
Lessons learned and challenges (2)

Critical to work with MOF

- Reducing inefficiency is highly political; key to be pragmatic and work with “reformers”
- Efficiency reforms key for raising public financing for health
- Ministries of Finance can be great allies in advancing efficiency reforms

Final reflections

- Improving efficiency is a critical component of the GFF's "smart" financing
- GFF partners can make a valuable contribution to routine data collection, efficiency analysis, and provide resources (human and financial) to support reform efforts
- Even more important is to reduce inefficiency associated with external partner activities at the country level