Financing Affordable, Efficient and Equitable Health Care
UHC Financing Forum

April 14 -15
Washington DC

Vinaya Swaroop
Global Lead for Growth and Lead Economist
Macroeconomics & Fiscal Management Global Practice
World Bank Group
Presentation Outline

- Public Spending: Choices and Financing
- Financing Universal Health Care: A Framework
- Two country examples: Georgia & the Maldives
- Concluding message
1. Public Spending: Choices and Financing

- Every society through its elected representatives decides what is good for its citizens & where should public resources be spent.
- The government budget ~ the most appropriate instrument to communicate spending choices.
- Limited resources means ~ spending choices reflect opportunity costs & competition among different programs.
- But spending needs to be financed: How to?
  - General tax revenue & earmarked taxes (e.g., soda tax)
  - Charging for public goods and services
  - Borrowing
  - Printing money
- Each of the financing items have their own macro & micro consequences.
2. Financing UHC: A Framework

- Need to know what does UHC consist of:
  - prevention & treatment of communicable diseases (the public good aspect);
  - basic health care (vaccination, preventive care);
  - treatment of non-communicable diseases (cancer, diabetes etc.)

- UHC package ~ different across different income level countries? Low-income; Middle-Income; High-Income

- A couple of questions:
  - Is a country-specific UHC program \textit{affordable} on a sustained basis from a macroeconomic perspective? Is it too \textit{“big and generous”}?
  - Are there competing spending activities that are not financed? Pre-K education? Girl’s education? Rural connectivity?

- Most health sector work rightly emphasizes \textit{efficient (value for money)} and \textit{effective (of proven value)} provision of public health services; rarely address overall affordability & sustainability
3a. UHC in Georgia: A Country Example

- A Eurasian economy; population of 4.5 million; Upper MIC ($7600 per capita)

- In 2013, GoG increased social spending amid concerns of inequitable sharing of country’s rapid economic growth; UHC was introduced

- UHC: A publicly-funded, non-contributory entitlement of health care services for the population; its financing led to a 126% increase in public health spending from 2012 to 2015

- The health sector budget has been overrun in the past two years raising concerns on the affordability & sustainability of the program.

### Rising Social Spending & Concern of Fiscal Sustainability

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<th>2012</th>
<th>2015</th>
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<tbody>
<tr>
<td>Social spending (UHC included)</td>
<td>7.1</td>
<td>9.6</td>
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<tr>
<td>Fiscal Deficit</td>
<td>2.8</td>
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3b. Financing UHC in Georgia: A Macro Fiscal Perspective

- Rapidly rising social sector spending in a low growth environment ~ rising fiscal deficit a cause of concern

- With an aging society ~ low domestic savings & reliance on foreign savings to finance investments ~ leads to high current account deficits ~ foreign exchange reserves only 3 months of imports ~ premium on government dissaving

- Deteriorating macro fiscal situation ~ closely examine the *opportunity cost* of increased social sector spending:
  - Higher level of deficit & the need to borrow ~ debt problems (?)
  - Other costs ~ a concomitant reduction in capital spending (2% points from 2012 to 2016) ~ growth forgone (?)
4a. UHC in Maldives

- A tropical country of islands with a population of about 400,000
- An Upper Middle-Income (per capita GNI of $6410 in 2014) small, tourism-based economy that imports all its food and fuel needs
- Its macroeconomic environment is significantly distressed ~ double digit fiscal deficits ~ threaten macroeconomic sustainability & public service delivery ~ populist social and economic subsidies
4b. Maldives’ Universal Health Insurance: The Aasandha Scheme

- Every society has a right to decide what is good for its citizens!
- With democracy and elections came some populist programs: UHI — a public-private partnership scheme (without any contributory premium) introduced in 2012
- Coverage increased from 25% to 100% ~ seemingly noble cause!
- Comprehensive coverage ~ inpatient & outpatient treatment (drugs & diagnostics) ~ overall individual cap of $7,000/year ~ higher than GDP per capita $6,000 ~ the cap removed in 2014
- In 2012 ~ budgeted amount $48 million $ claim $60 million ~ busted budget and unpaid claims ~ main challenge to the UHC scheme remains its fiscal sustainability
- All this when the country continues to face one of its worst fiscal crisis!
Universal Health Care like any other major social spending program has to be affordable, efficient, effective and equitable!