Health Sector Financing in Lao PDR
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Government spending increased yet from a very low level

- Government spending on health has increased significantly in recent years, albeit from a very low level and erratic base.
- Spending on health has more than doubled to about US$182 million in FY13/14 from US$70 million in FY09/10.
- Budget plans indicate further increase with the commitment of meeting spending target of 9% (or about $290 million).
Per capita spending and public share on health are low regionally

- Per capita health spending in 2014 was $33 for total health spending; $16 for public health spending, lower than the regional peers.
- Health share of the government budget was one of the lowest in the region.
- FY15/16 budget, health share of the government budget increased to 7.4% or $237 million.
Government budgetary spending on health has been mostly allocated to capital expenditures and wages.

- Government health spending has been mostly allocated towards capital expenditures and wages, leaving little room for operational expenditures.

- The low level of operational expenditures has serious implications for service delivery.

- Recently there is a welcomed trend of increasing planned allocation in FY15/16 for operational expenditures to about 35% of total government health spending.
Composition of Health Spending in Lao PDR

OOP and high reliance on external financing is a challenge

- In Lao PDR the dominant source for financing health is out-of-pocket (OOP) payments from households which can be as high as 39%.

- External assistance for health is another dominant source for health in Lao PDR.

- In 2014, 32% of the total health expenditures financed from external sources.
Managing donor transition while reducing OOP is a key

- Lao PDR is undergoing health financing transition:
  - a consistent increase in health expenditure
  - a decrease in OOP spending and external financing as a share of total health expenditure

- While external financing will continue to play an important role, the level of donor funds is expected to decline in coming years
Lao PDR has made steady and significant progress on key health outcomes but challenges still remain

- Increase in life expectancy from 49 in 1980 to 66 years in 2014
- The under-five mortality rate has declined from 200 to 67 per 1,000 live births
- Infant mortality has declined from 135 down to 51 per 1,000 live births
- Yet, progress is uneven, geographic and socio-economic disparities remain very high

Source: World Development Indicators database
Note: y-scales logged
Key Challenges in Lao Health Sector

Double Disease Burden - new NCD challenges while addressing unfinished MDGs agenda

- Lao PDR faces the **epidemiological transition** from types of health issues being dominated by communicable disease to non-communicable disease (NCD).

- The country faces **double disease burden**: increasing NCDs, unmet MDG targets and challenges of malnutrition and stunting.
Policy Recommendations

In making further progress towards UHC

- Lao PDR will need to decrease reliance on OOP spending, continued increase in government health spending from domestic sources through strengthened health systems and social health protection schemes.

- Need to ensure not just an increase in the levels of spending, but also an increase in the efficiency and effectiveness of spending to achieve desirable population health outputs and outcomes while ensuing sustainability of financing for health.
Policy Recommendations

In making further progress towards UHC

- Integrating/streamlining multiple mechanisms for financing and delivery of health programs and services.

- The policy of expanding national health insurance is a positive step, however challenges remain to ensure effective implementation and sustainable financing of national health insurance.

- Continued commitments to expand coverage and financial protection for the poor and beyond with an overall policy aim of attaining UHC by 2025.
Thank you!

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