The Lancet Global Health Commission on Financing Primary Health Care

TECHNICAL BRIEF 1

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Mobilising and pooling funds for primary health care

Health financing arrangements provide the fuel for primary health care (PHC) as the engine for achieving good health and universal health coverage. These arrangements need to be right to drive effective, efficient, and equitable PHC service delivery.

The Lancet Commission on Financing Primary Health Care has identified the best evidence on ways to strengthen financing arrangements for PHC and sets out a vision of how to place people at the centre of PHC financing. This is the first in a series of technical briefs that focus on different elements of health financing arrangements. This brief is on mobilising and pooling funds for health.

Challenges in mobilising funds for health

Financing health adequately is essential to secure enough resources for PHC. Yet the existing mechanisms for mobilising and pooling resources for health in low- and middle-income countries (LMICs) have multiple weaknesses: limited tax revenue; social health insurance contributions that remain constrained; inadequate, declining, and fragmented donor funding; persistent and excessive reliance on out-of-pocket spending. To make matters worse, the economic impact of COVID-19 has exacerbated already limited health budgets. The resources that are raised often remain fragmented instead of being pooled into one pot.

Things can change. Strategies exist for mobilising new public resources for health, and country experiences show it is possible to translate increased general revenue into more funding for health.

Increasing the overall envelope is possible

The primary means of expanding resources for health is to increase overall government revenue collected through taxation. This means improving collection of existing taxes, increasing the tax base, and expanding the number and types of taxes levied. LMICs, however, face significant challenges when collecting tax revenue. Constraints include lack of infrastructure and administrative challenges, such as incomplete property registers, the size of the informal economy and the inability to trace transactions within it. Expanding LMICs' national taxation capacities requires strengthening various institutions, systems and skills.

Countries also need to decide on the appropriate mix of direct (income), indirect (for example VAT) and other taxes (including trade taxes) where there will be a trade-off between administrative complexity and equity. LMICs could focus on taxes that directly impact health outcomes such as taxes on transport and airline levies or on carbon emissions.

A payroll tax, or compulsory social health insurance (rather than voluntary as is the case of many community-based health insurance schemes) is also used as an earmarked tax for health. However, empirical evidence raises some concerns with coverage and sustainability of compulsory health insurance contributions in low income countries with high informal sector employment.

Whatever tax is chosen, political economy factors, both internal and external, as well as the structure of LMIC economies, always threaten the feasibility of taxation reforms. Staying the course and investing in greater taxation revenue will eventually lead to a greater resource envelope.

KEY MESSAGES

- Government expenditure on health in low- and middle-income countries falls short of what is needed for Universal Health Coverage, which limits the overall 'pie' available for the Primary Health Care share and forces patients to continue out-of-pocket payments, which can pose a barrier to affordable access.
- PHC should be free at the point of use because even small payments can deter utilization. This requires progressive removal of user charges and increased public funding.
- Generating additional pooled resources is a challenge: fiscal capacity remains limited by macroeconomic conditions and inefficient revenue collection, yet additional resources will have to come mainly from taxes (general or earmarked).
- Increasing tax revenue is both a technical issue (how to increase tax capacity and how to broaden the tax base) and a political issue (acceptability, compliance).
- Better spending of available resources is key, although the potential to generate efficiency savings in the health sector is limited within existing institutional arrangements; it also takes time (and often investment) to achieve these savings.
- Pooling arrangements should cover PHC. Pooled public funds can help to reduce fragmentation, secure equitable cross-subsidies and efficient integration between levels of care.

Ensuring new resources are invested in health

The widespread economic impact of the COVID-19 pandemic has provided clear evidence of the close connection between health and economic prosperity and should strengthen the case for increased investment in health. However, ensuring that adequate resources are allocated to health requires continuous efforts as the allocation of resources to health is an intensely political issue: competing demands, who benefits from funding health, the extent to which health is seen as a popular political issue, for example, all lead to constant tensions as to where budgetary resources should be allocated. Understanding these factors will be essential in protecting resources for health.

Better pooling of existing and new resources

Whether or not total health spending increases, a shift from out-of-pocket spending towards pooled arrangements can radically improve the equity and efficiency of health financing. Redistribution of resources from people and places of lower need to those of higher need is more effective in larger, more diverse pools. Pooling can occur in government budgets (at central or decentralized levels), through compulsory insurance schemes or, potentially, through virtual health insurance pools supported by digital technologies. Pooling arrangements need to cover PHC, to protect households against out-of-pocket spending.

Better spending

Inefficiencies in health spending exist. Reforms to address these inefficiencies are necessary and form part of the wider effort to use available health resources to improve health outcomes. Improving the efficiency of spending is a complex task, fraught with technical and political challenges. While the impact of some reforms focused on enhancing spending efficiency may be immediate, many others may take years to deliver benefits. Many inefficiencies, such as leakage due to corruption or fraud, are structural; tackling them requires addressing historical precedents and social norms in addition to administrative processes. Addressing some inefficiencies may also require upfront investments.

IMPLICATIONS FOR ACTION

- Spend more on health. Ministries of Finance must honour their countries' commitment to UHC and to the multiple spending benchmarks they have signed up to. Ministries of Health must strengthen their understanding of taxation and domestic resource mobilisation approaches to facilitate dialogue with finance ministries.
- Build taxation capacity and tax base. Ministries of Finance must drive an ambitious taxation agenda, focusing on increasing the tax base and strengthening their tax capacity.
- Reduce financial barriers to accessing PHC. Ministries of Health must work towards removing user fees and informal payments. Identify what additional resources are needed for this reform and devise a plan that considers the health system strengthening needs together with a political strategy to manage the stakeholders involved. Pooling arrangements must cover PHC to protect against out-of-pocket payments.
- Spend better on health. Identify the sources of spending inefficiencies, start with the low hanging fruits, such as switching to generic medicines, and plan for the longer-term reforms today. These inefficiencies can only be addressed through sustained efforts of all stakeholders.
- Ministries of Health and Finance need to work together to achieve health for all. More broadly, additional and better funding for health requires a whole-of-government approach.
- Make political economy the cornerstone of any health financing reform. Ministries of Health and other actors should understand the political economy of any of the above health financing reforms, and plan to build coalitions and overcome resistance to change. This will require an investment from health ministries to build their internal capacity to understand and manage the political economy of reforms.

FURTHER READING

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