

# Extending Financial Protection to the Poor and the Excluded

Poverty and Inequality Unit, Inter American Development  
Bank

and

STEP Program, International Labor Organization

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**STEP**

Latin America and the Caribbean Region

Strategies and Tools against Exclusion and Poverty

International Labor Organization

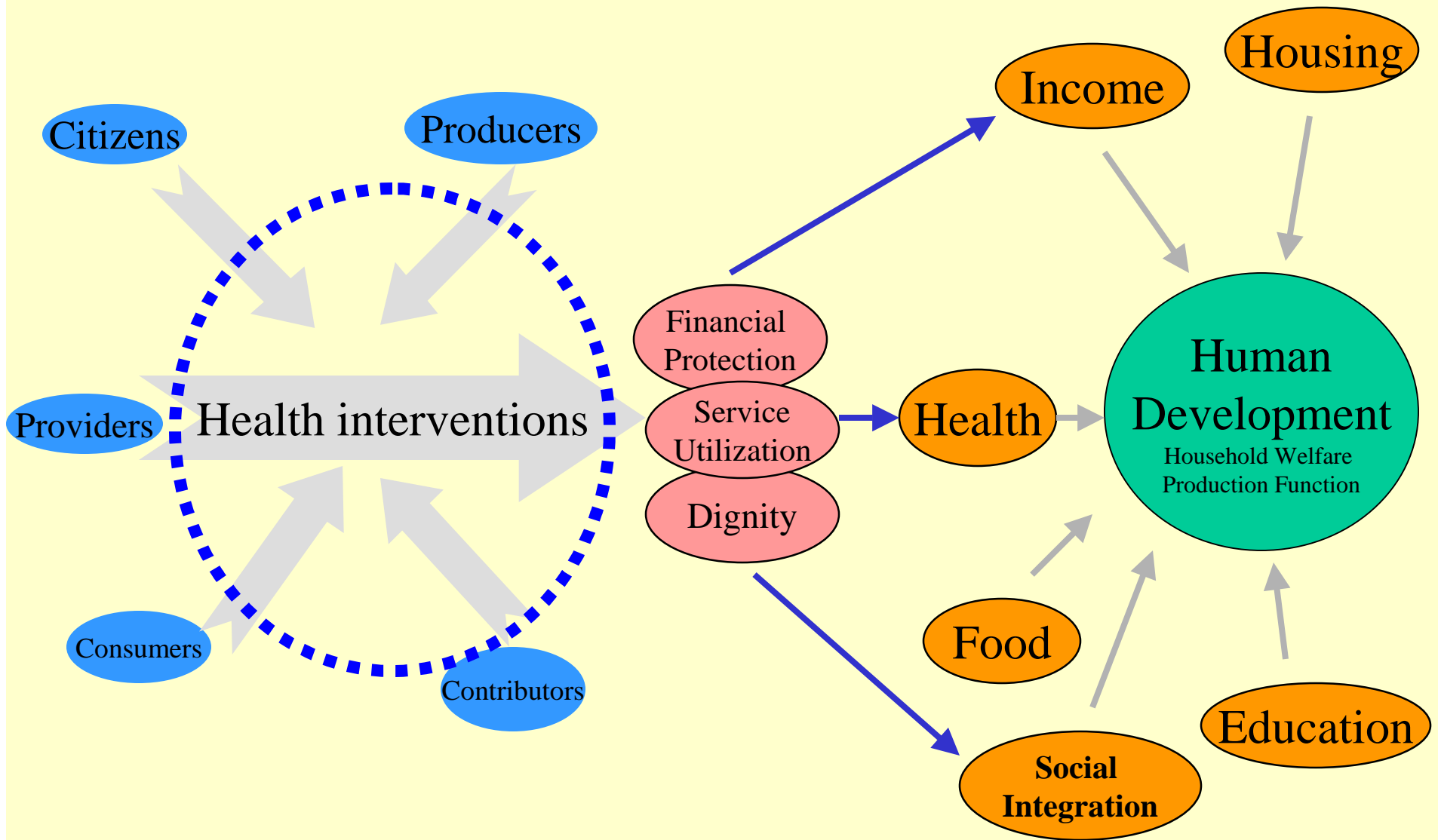


# STEP program

- Global program of ILO on **extending social protection in health** and **combating social exclusion** through a synergic combination of conceptual and research work as well as Technical Assistance to governments and implementation of community based projects
- 40 Field and research projects in 21 countries in 4 regions (Africa, Asia, Latin America and Eastern Europe)
- In LAC
  - Argentina
  - Chile
  - Mexico
  - Venezuela
  - Peru



# Social Protection in Health



# The Objectives of Social Protection in Health

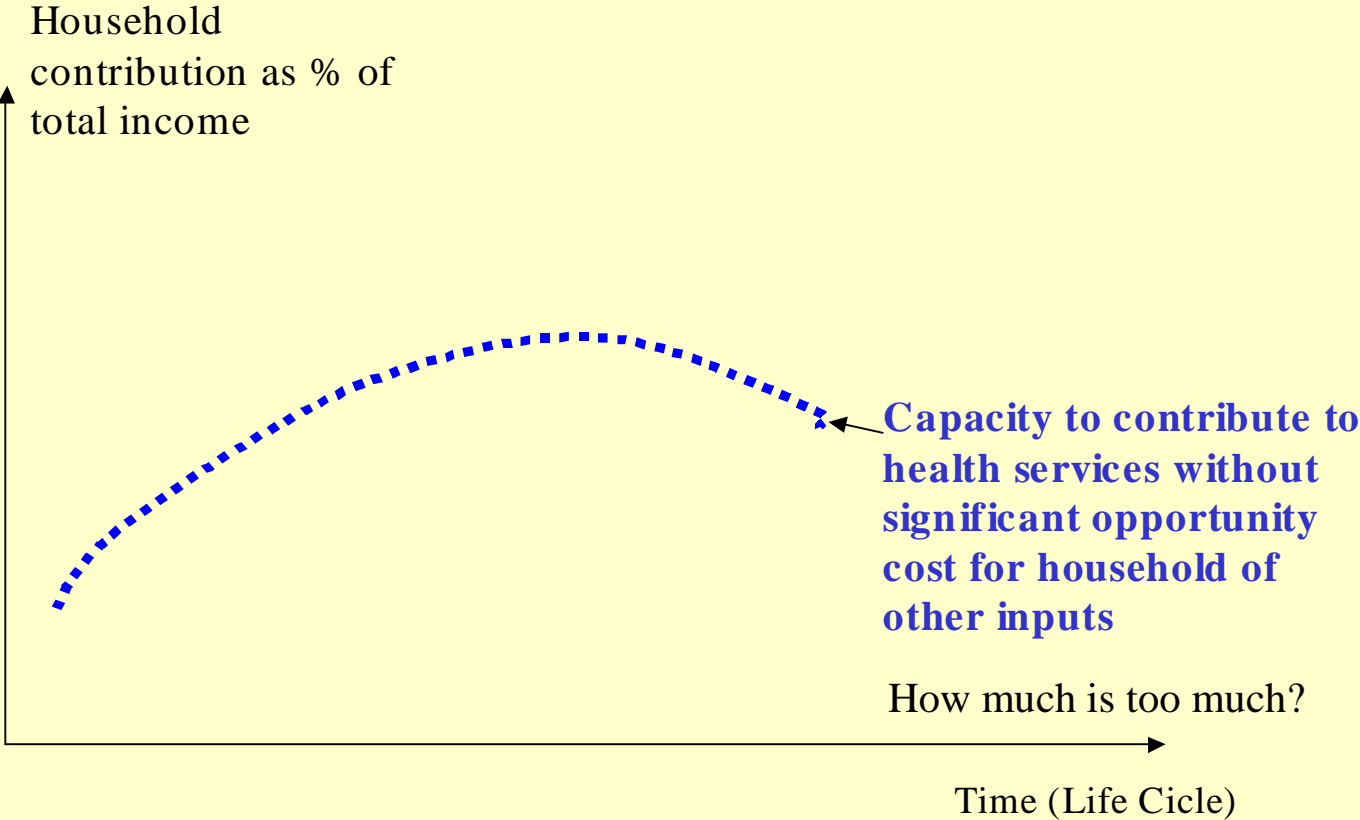
STEP-ILO Framework for Extending Social Protection in Health

- To **maintain and improve the health status** of all workers (formal or informal) and their families not only as an essential component of their human capital but as an essential part of the Human development goal of socio-economic development objectives.
- To do so ensuring **financial protection** for workers and their families, in a way that lack of capacity to pay would not become a barrier to access to health services or that excess contribution would force them into poverty or make it impossible for them to overcome it.
- All under **strict respect for the dignity, freedom and human rights** of workers and their families.

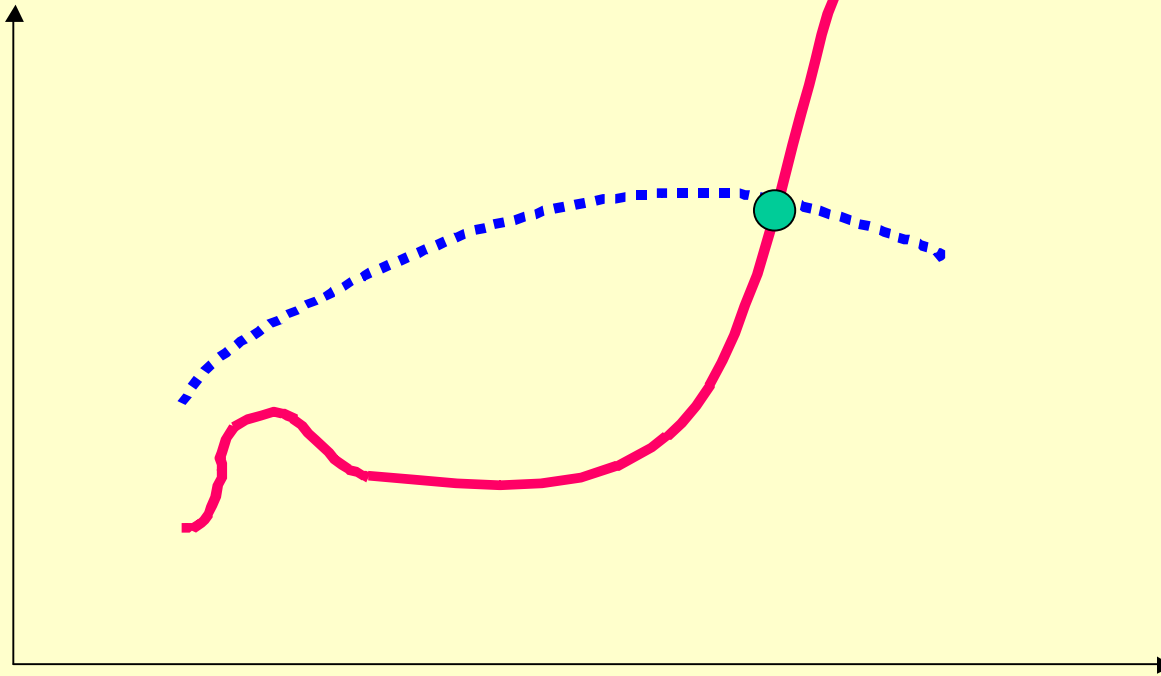
# Financial Protection

- **Financial protection** for workers and their families, formal or informal, so lack of capacity to pay would not become a barrier to access to a socially acceptable minimum level of health services or that excess contribution would force them into poverty or make it impossible for them to overcome it.
- **Different efforts**
  - Fair Financing (WHO)
  - Equity in Financing (IBRD)
  - Financial Protection (ILO/STEP)

# Household Capacity to Pay



Average required expenses  
to obtain adequate level of  
health services



# Need and Strategy for Cross-Subsidies

## Cross – Subsidies

### Type

Risk cross-subsidy

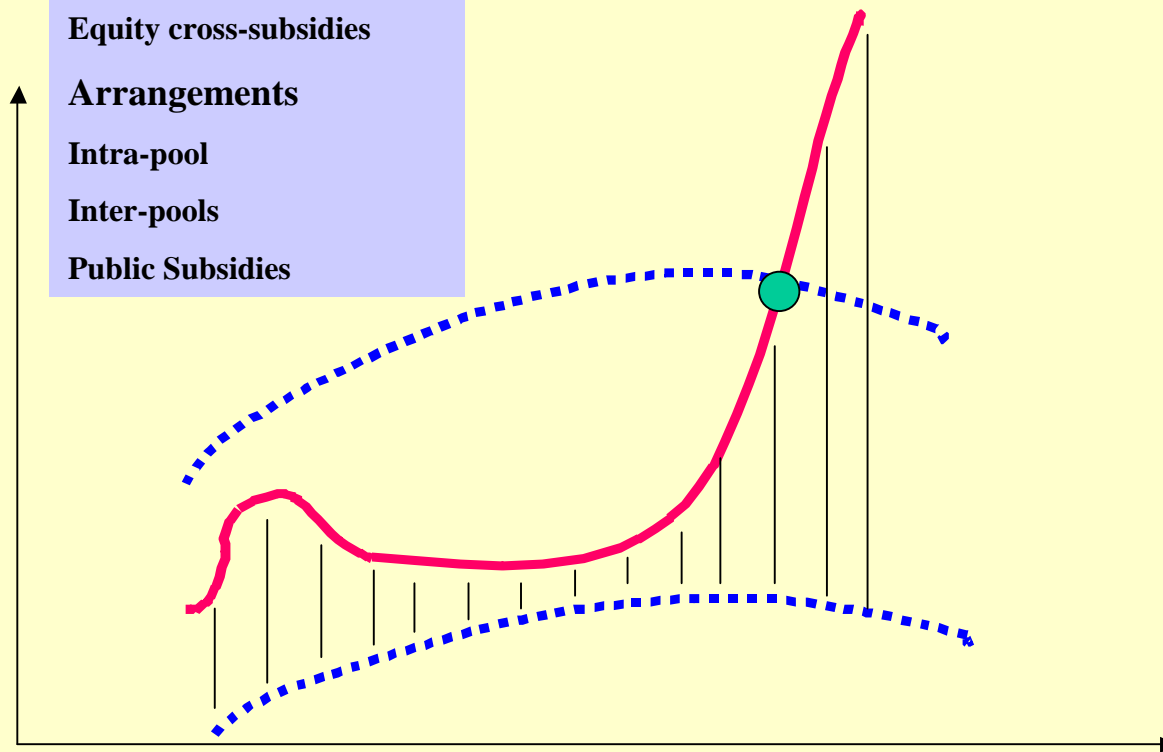
Equity cross-subsidies

### Arrangements

Intra-pool

Inter-pools

Public Subsidies



# Strategies to Reduce Household Contribution

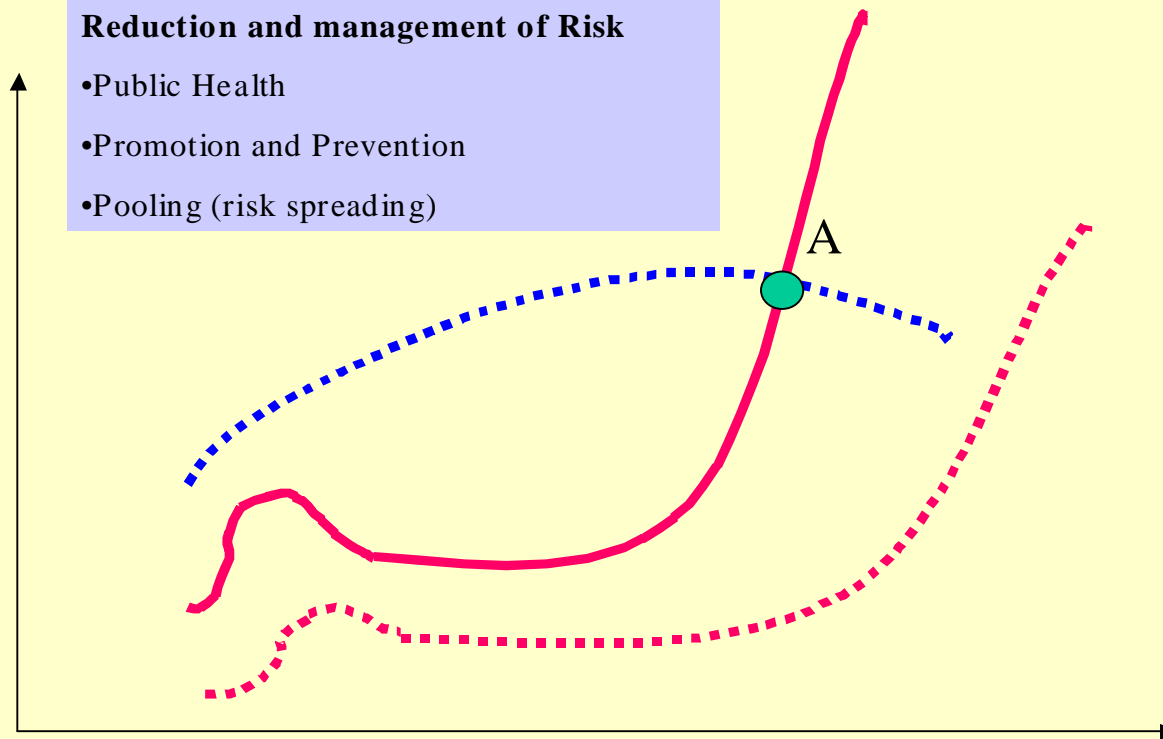
## Strategies to Reduce cost

### Reduction of price and quantity

- Better Technology
- Strategic Purchasing

### Reduction and management of Risk

- Public Health
- Promotion and Prevention
- Pooling (risk spreading)

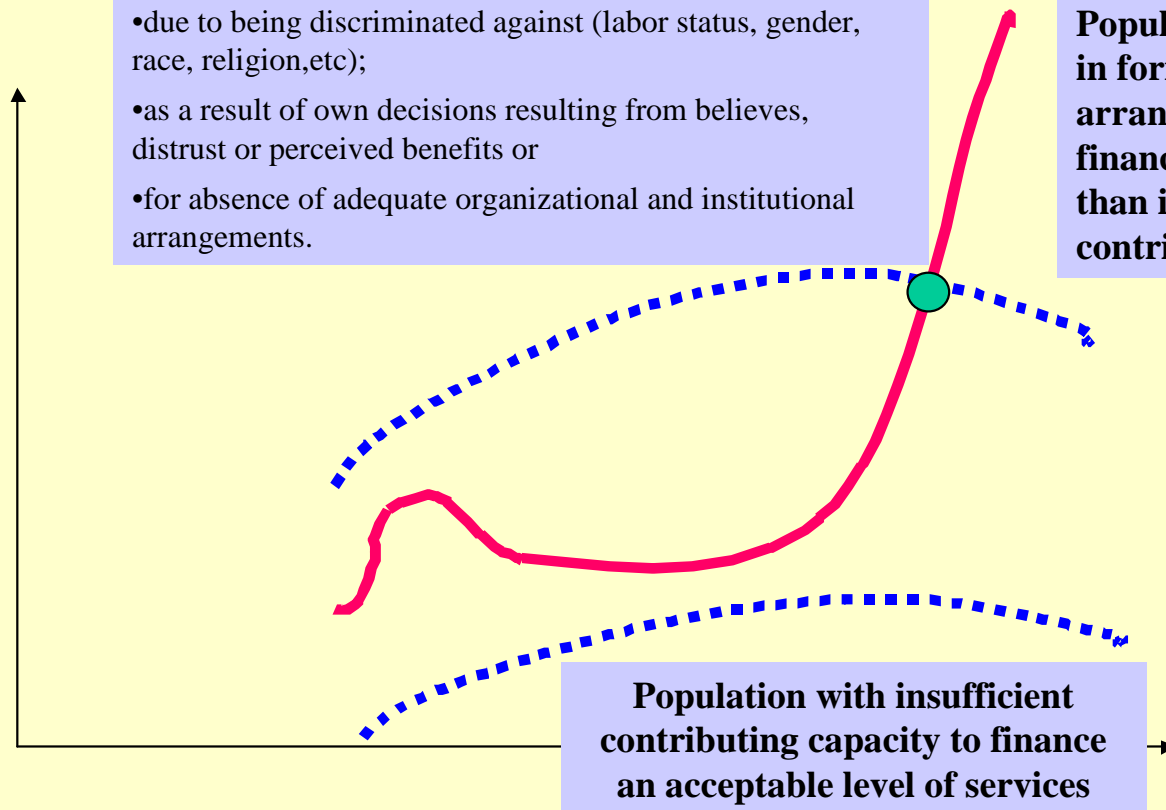


# Different Causes of Potential Exclusion from Financial Protection

**Population with sufficient contributing capacity but which does not participate in any pooling system:**

- due to being discriminated against (labor status, gender, race, religion, etc);
- as a result of own decisions resulting from beliefs, distrust or perceived benefits or
- for absence of adequate organizational and institutional arrangements.

**Population that participates in formal social protections arrangements but its financial risk become larger than its capacity to contribute**



# Importance in Public Subsidy Policy Dialog in LAC today

- **Argentina**, Reform of the *Obras Sociales* (Social Security) Solidarity Fund
- **Chile**, Health Insurance Reform: The solidarity fund for catastrophic events
- **Mexico**, Premium subsidization for the informal sector

- How do we address in practice in policy dialog at country level the definition of capacity to pay considering the goal of household financial protection?
- How much is too much?
- When and how much to subsidize?