

THE WORLD HEALTH REPORT

2000

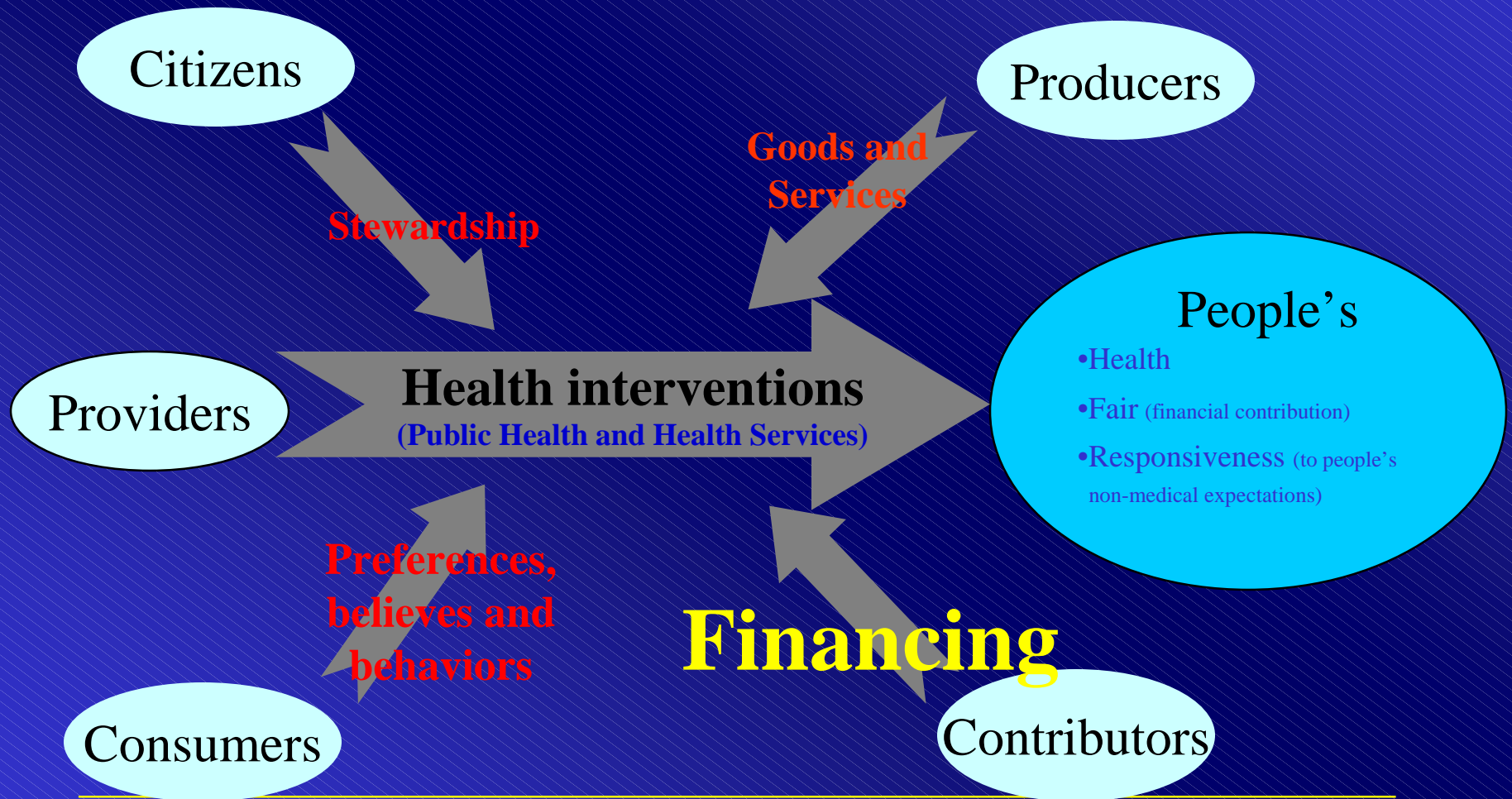
Health Systems Financing

Cristian Baeza

Member Core-Writing team and Leading author chapter 5

People at the center of the system

Access to effective health interventions is the ultimate test of health systems



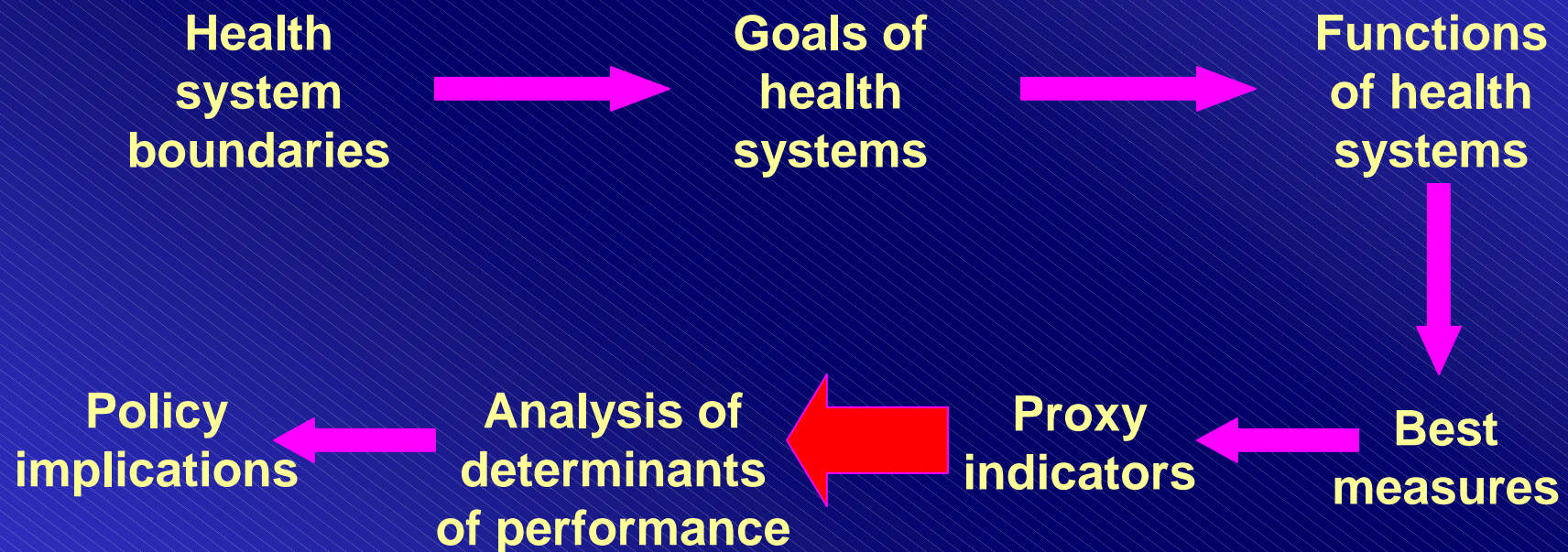
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Systems organize its financing through specific organizational and institutional arrangements for

- **Collecting Revenues**
- **Pooling resources**
- **Purchasing Services**

Framework for assessing health system performance



Possible Determinants and Policy Recommendations for improving health system performance in fair financing

- **Extend prepayment** through public or publicly mandated financing, including people in the informal sector of the economy.
- **Spread risk** through developing the broadest possible financial pools across social groups.
- **Ensure sufficient low to high income subsidies**
- **Improve Strategic Purchasing:**
 - **Develop evidence-based purchasing of interventions.**
 - **Make payment to provider sensitive to incentives for better performance.**
 - **Develop explicit systems for assessing the quality of services.**
- **Empower consumer / user**

Pooling

- Pooling is the accumulation and management of revenues in such a way as to ensure that the risk of having to pay for health care is borne by all members of the pool and not by each contributor individually.

- **Develop the broadest possible financial pools to spread risks among people (**Spreading risk**).**
- **Make financial contribution according to capacity to pay (**Equity**).**



Pooling resources

Salary Related Contributions in Social Security in health today: One instrument for two objectives

- Develop the broadest possible financial pools to spread risks among people (**Spreading risk**).
- Make financial contribution according to capacity to pay (**Equity**).



Pooling resources

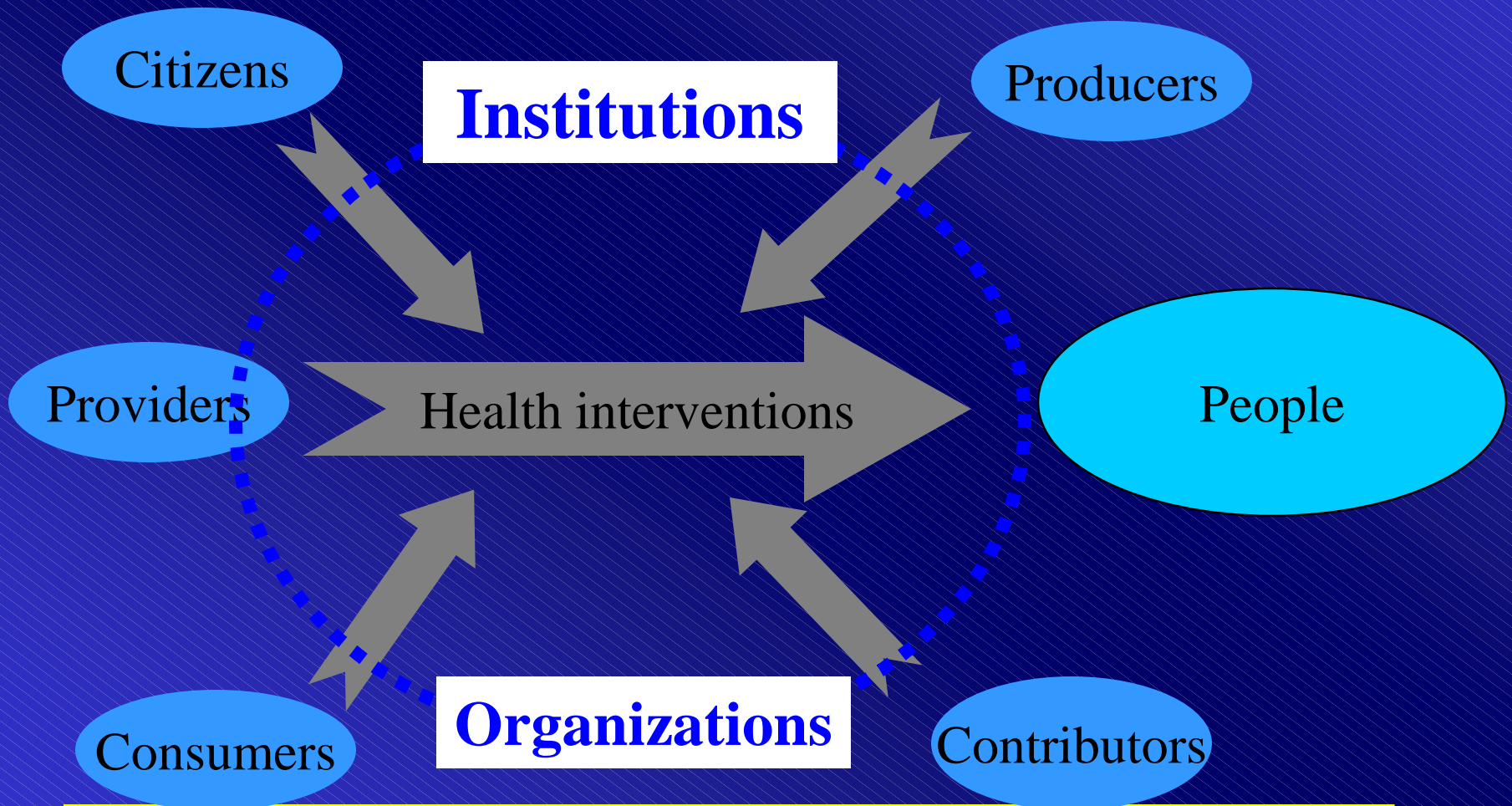


**Salary or Income related
Contributions**

Separate the two objectives

- If multi-pool settings in LAC are inevitable / desirable:
- There is need for having two separate instruments for these two separate objectives?:
 - Risk related contributions (discrete community rating estimations of premiums), for spreading risk
 - Explicit “portable” subsidies for those who can not afford to pay risk related premiums
- Is it technically feasible?
 - It may be feasible but not through individual, ex-ante and full package approach to estimating the subsidy

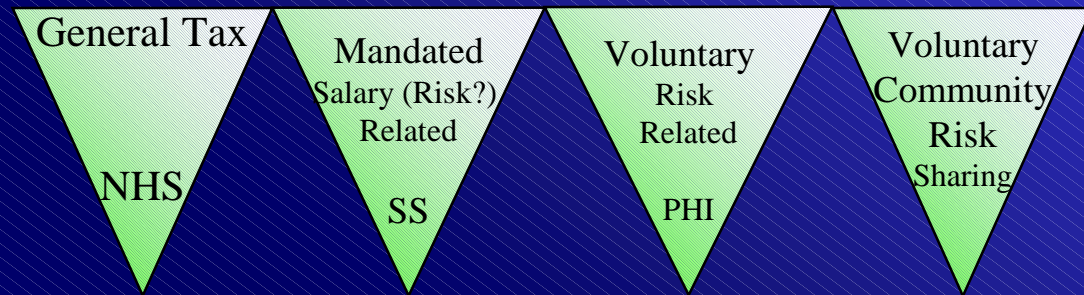
Health system financing sub-function exist and interact under different institutional and organizational settings



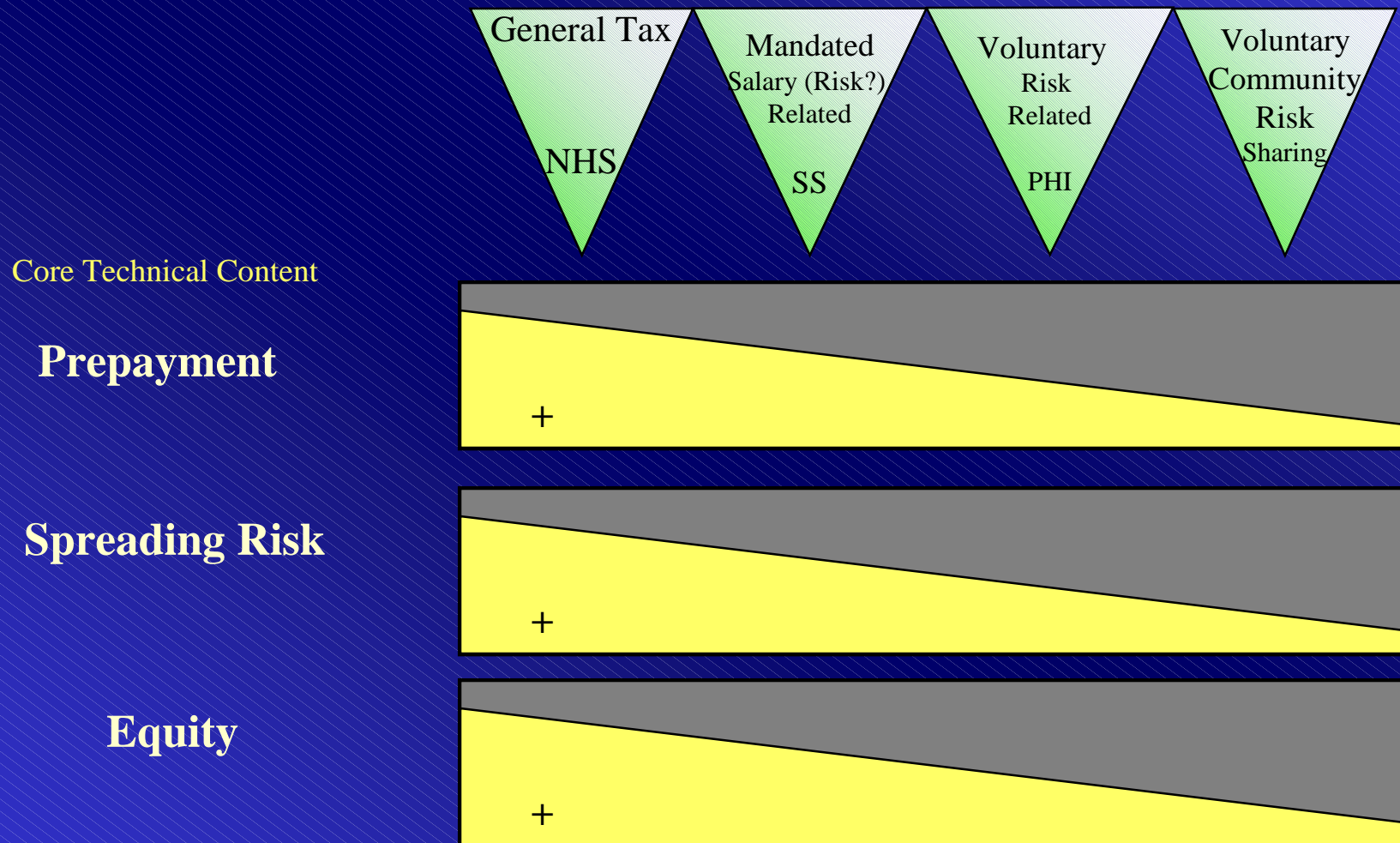
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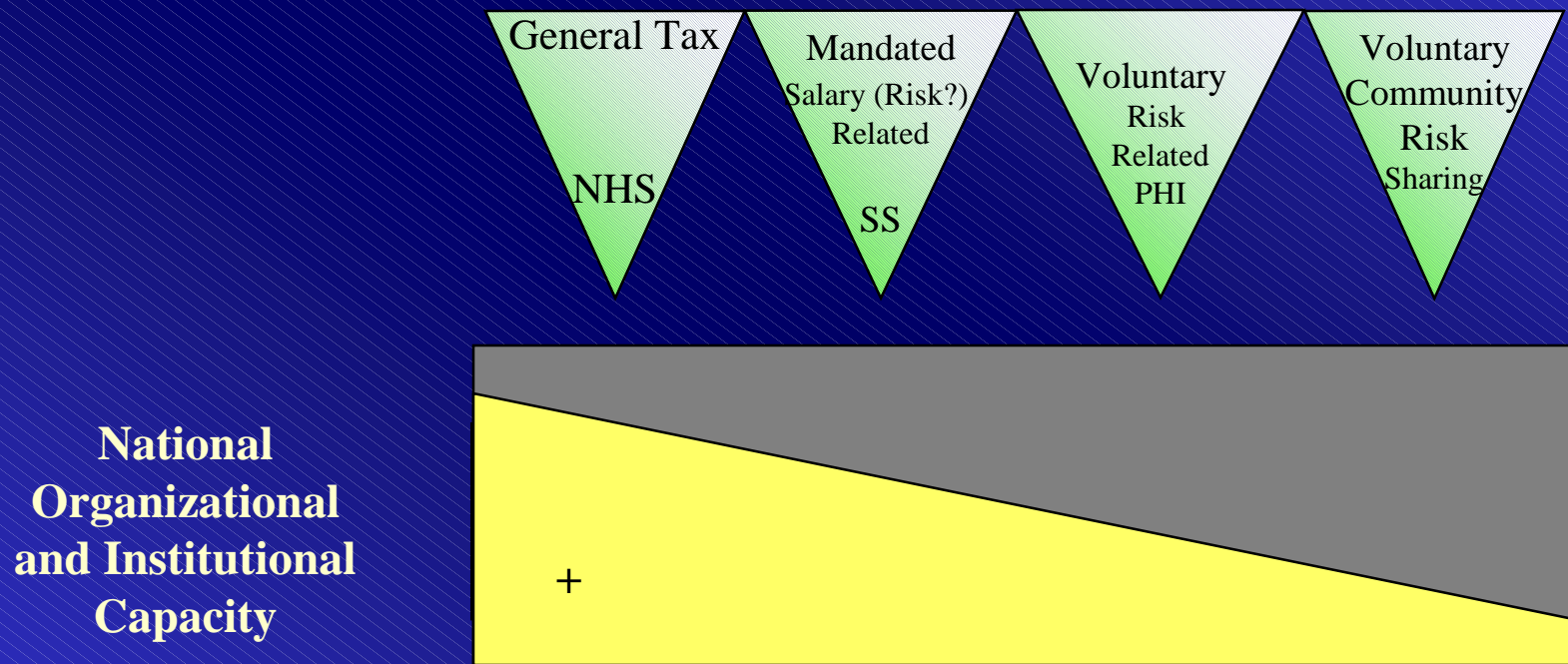
Alternative Organizational Forms in Health System Financing



Core Technical Content and Organizational Forms in Health System Financing



Effectively relying mostly on public or publicly mandated financing is organizationally and institutionally demanding



But extending prepayment and pooling through nonpublic or publicly mandated financing is demanding too

External Incentives	NHS	Social Security Organizations	Private Health Insurance Funds	Community Pooling Organizations
Governance	Public, low level of decision rights	Public or “quasi-public” with variable levels of Decision Rights	Private, high level of decision rights	Private, high level of decision rights
Public Policy driven financing				
Control Mechanisms	Hierarchical control	Variable degrees of Hierarchical control, regulations and financial incentives	Regulations and financial incentives	Regulations and financial incentives??

Does the report argues for Single Pool?

- The report certainly argues for avoiding fragmentation of the pool
- From a pure technical content perspective and ignoring organizational and institutional contexts, there is a clear preference for large pools or even single pool.

Single “Pool” systems do not exist and are unlikely to exist soon in developing countries

- Single pool, NHS type, solely financed out of general taxation are very demanding institutionally and organizationally
- Traditional Social Security schemes, include only a minority:
 - Growing Informal sector is excluded or does not participate
 - Significant Incentives not to contribute/participate particularly, as it is so often the case the so often case of single benefit packages
- There is inevitable pressure from higher incomes to fragment the system to get more value for money (match benefits and contributions)
- Monopoly behavior and “capture” issues: the ‘virtues of competition”

Policy dialog needs to recognize that fragmentation already exist and the challenge is to facilitate coherent interaction among all parts of the system