



Combating Exclusion from Social Protection in Health

The crucial role of Health Financing

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The ILO/STEP program
Conceptual basis for action

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Protection for all workers

The challenge of combating exclusion and extending social protection in health to the informal sector

- A Healthy workforce is a key to decent work and improving productivity and quality of life
 - All workers, in the formal and informal economy deserve access to effective social protection in health for them and their families.
 - Increasing informality poses a significant challenge to traditional social protection arrangements
 - “The rising overall costs of health care threatens to crowd out other expenditures, notably on income replacement benefits”



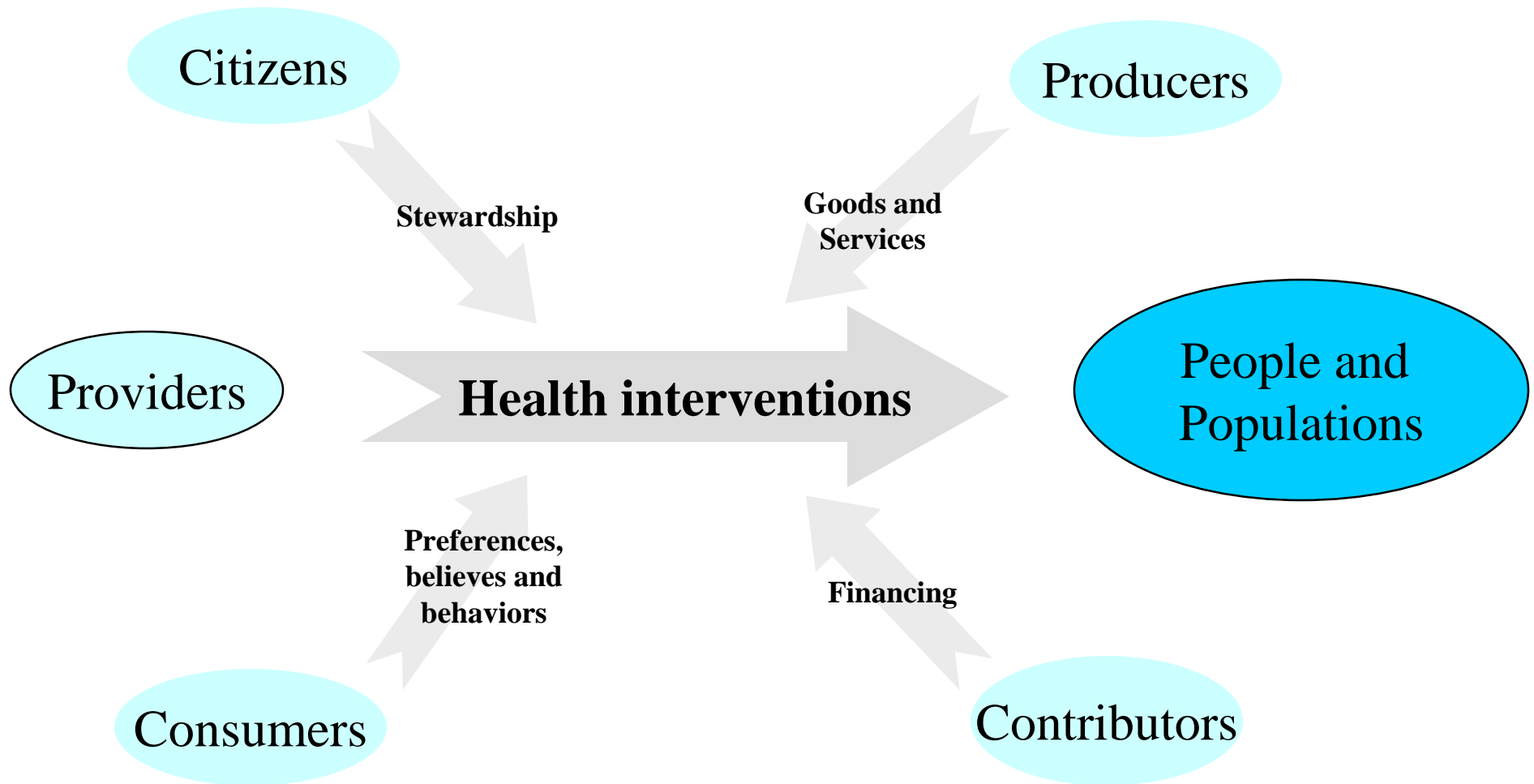
The goals of Social Protection in Health

- Maintaining and improving the health of the population and ensuring fair distribution of health gains
- Ensuring sufficient availability of resources and fair distribution of the financial burden of sustaining social protection in health
- Maintaining and improving the responsiveness of the system to the legitimate expectations of the population



People at the center of the system

Access to effective health interventions is the ultimate test of inclusion



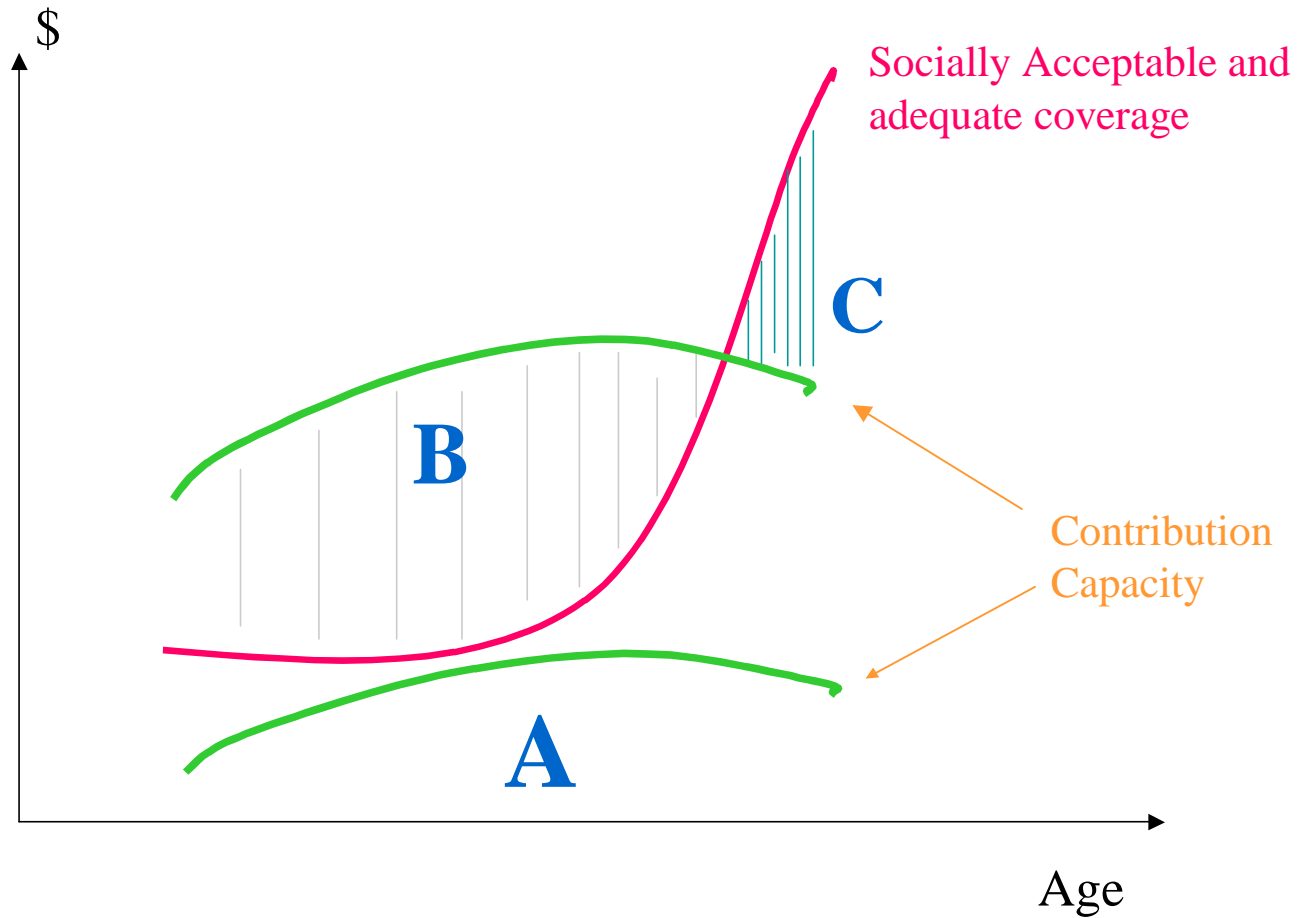


Increasing importance of Health Financing

- “The role of the Doctor is to entertain the patient while nature takes its course”, VOLTAIRE
- Increasing complexity and success increases costs: global expenditures in health up from 3% of world GDP in 1948 to 7.9% in 1997
- Societies prompted to find financial arrangements to avoid exclusion and sustain the systems

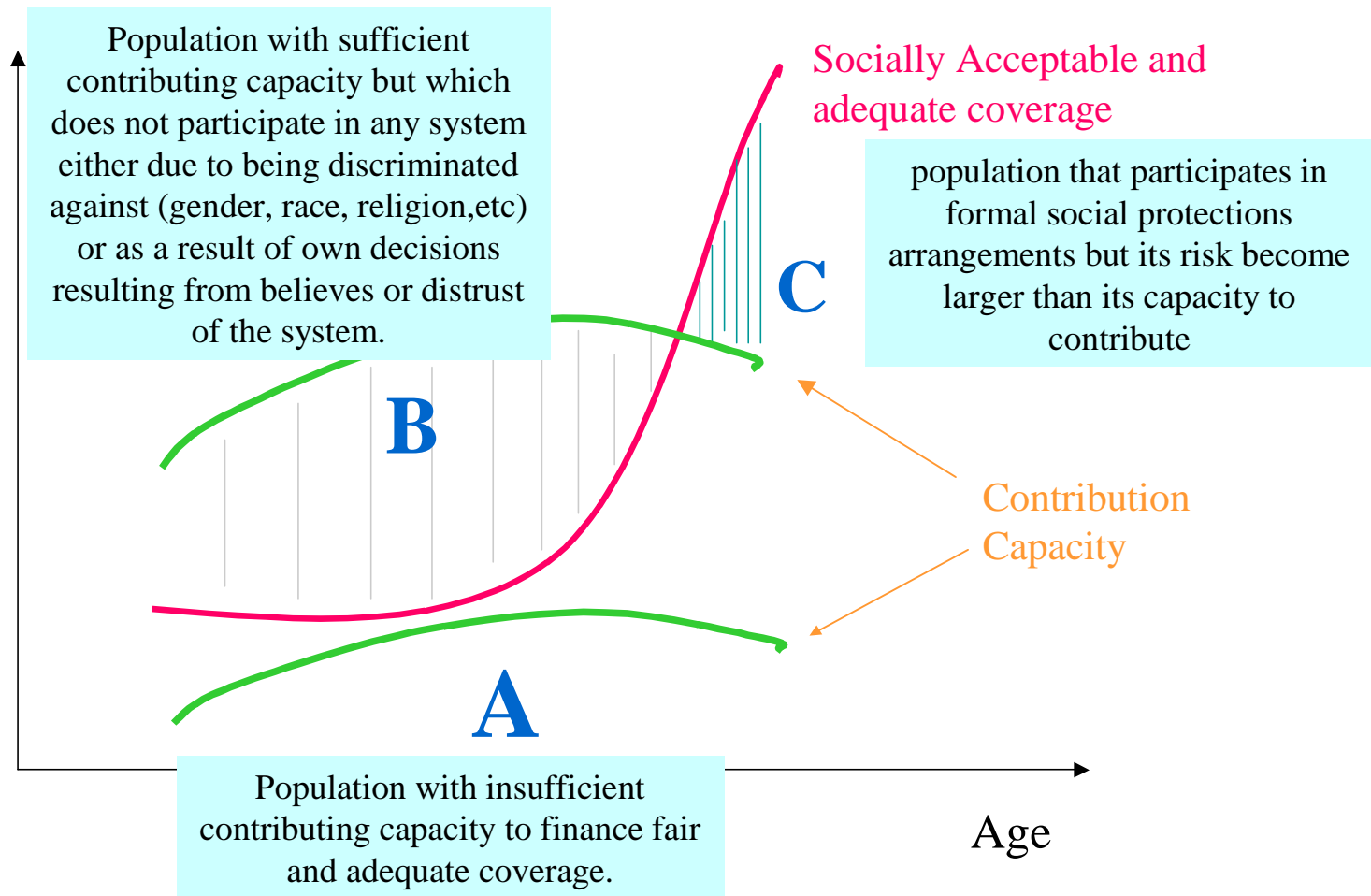


Different origins of Exclusion





Different origins of Exclusion





Inclusion and Health Financing

Achieving the Optimal Technical Content

- Health System Financing contributes to avoiding exclusion when it is capable of:
 - Ensuring Maximum possible level of pre-payment
 - Ensuring the maximum possible cross-subsidy from low to high risk within the group
 - Ensuring a large number of members of the pool
 - Ensuring sufficient cross-subsidy from the rich to the poor
 - Ensuring value for money in the process of paying providers



Systems aim to achieve optimal technical content through specific arrangements in

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



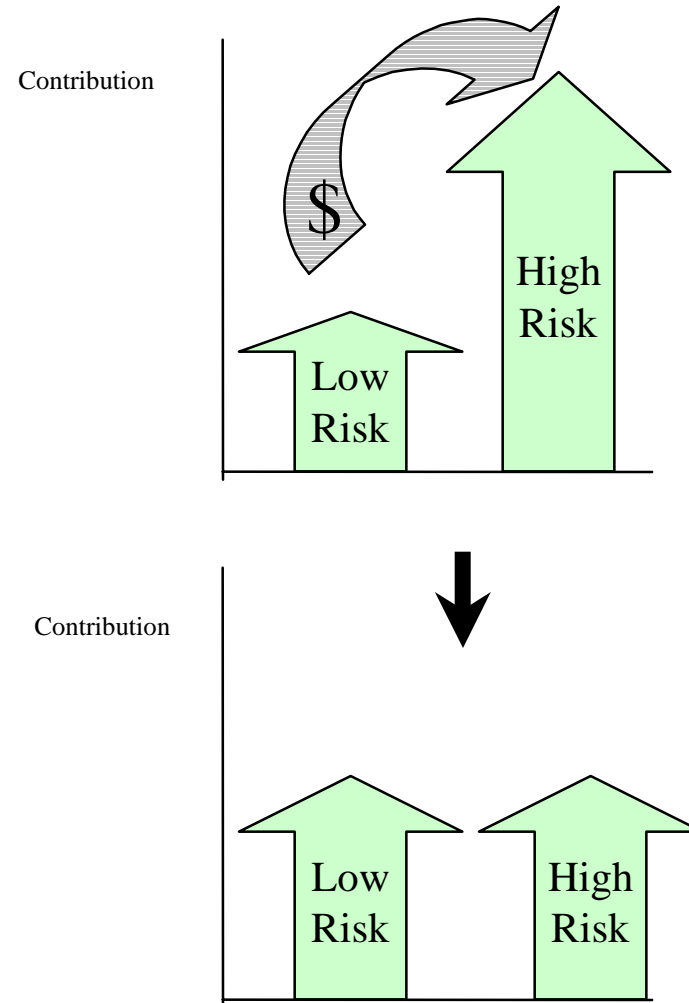
Pooling

- 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.



POOLING

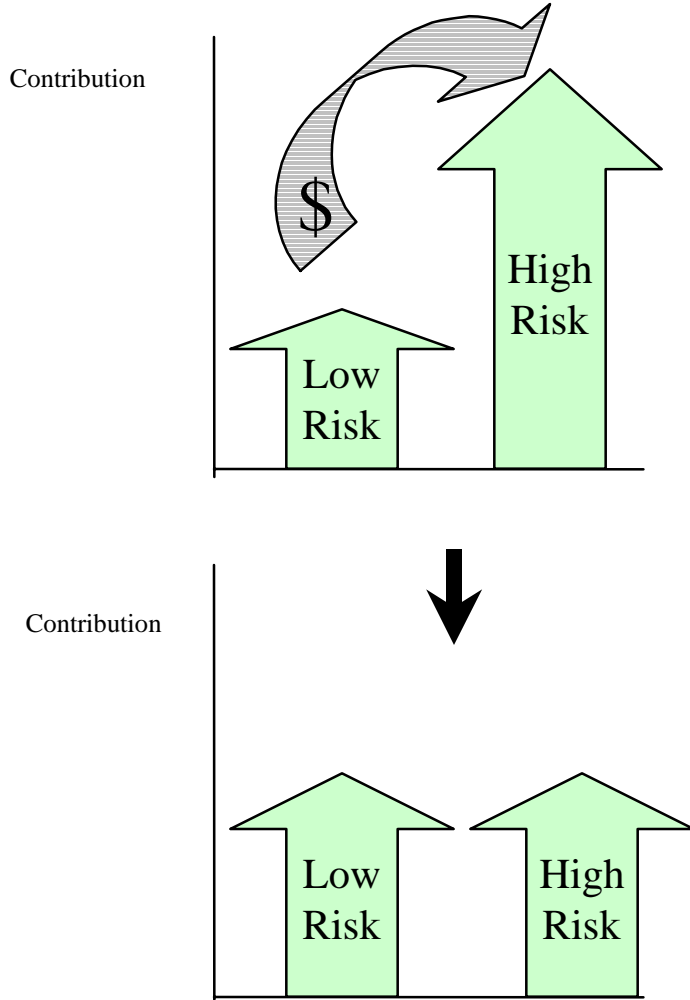
CROSS SUBSIDIES FROM
LOW TO HIGH RISK





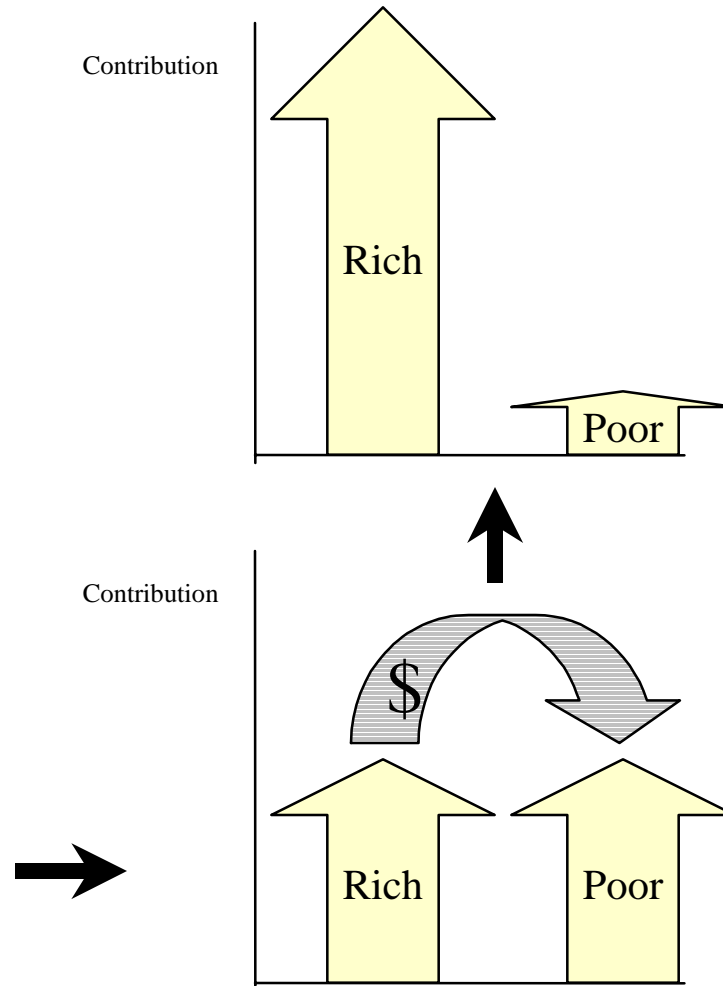
POOLING

CROSS SUBSIDIES FROM
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EQUITY

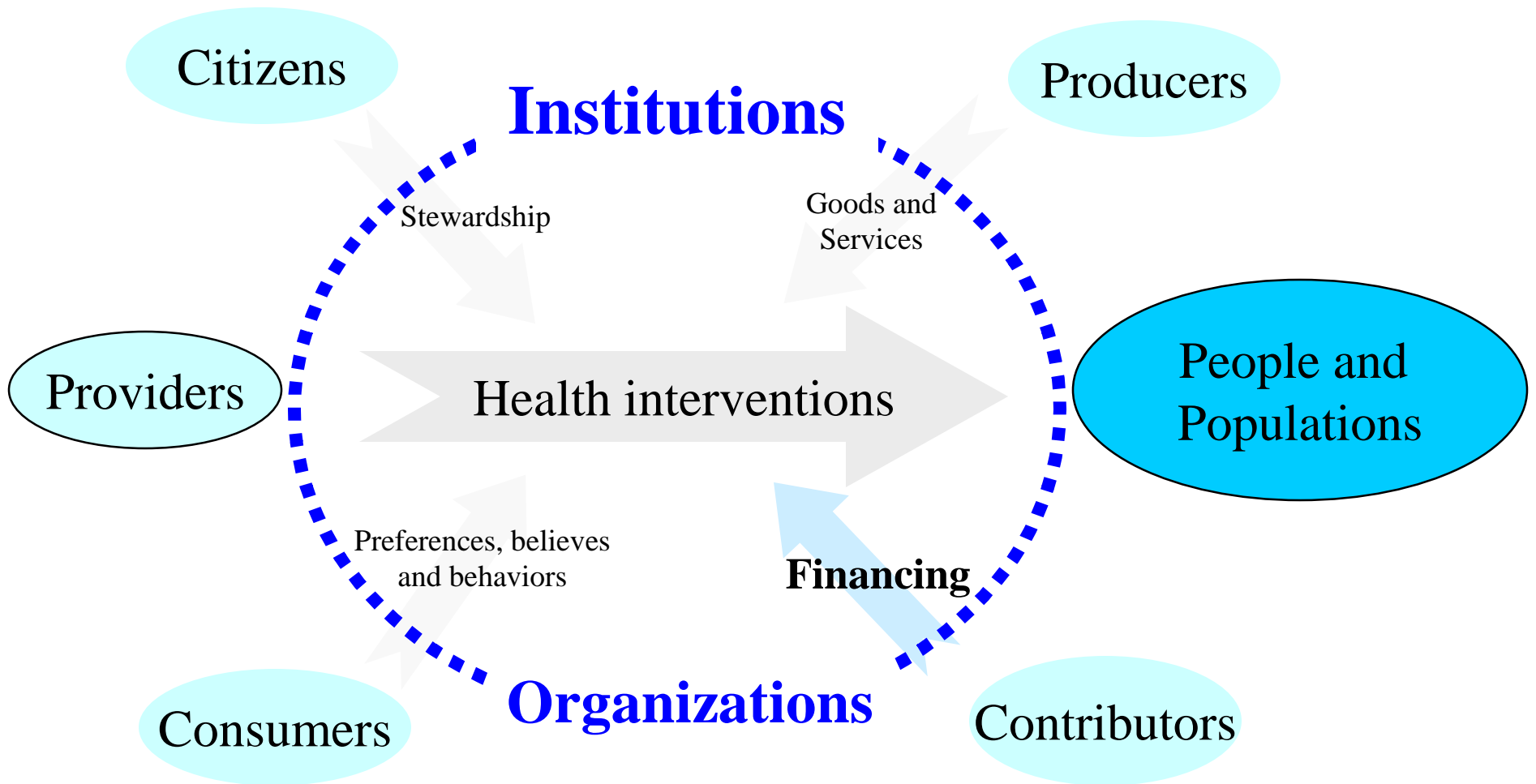
CROSS SUBSIDIES FROM
RICH TO POOR





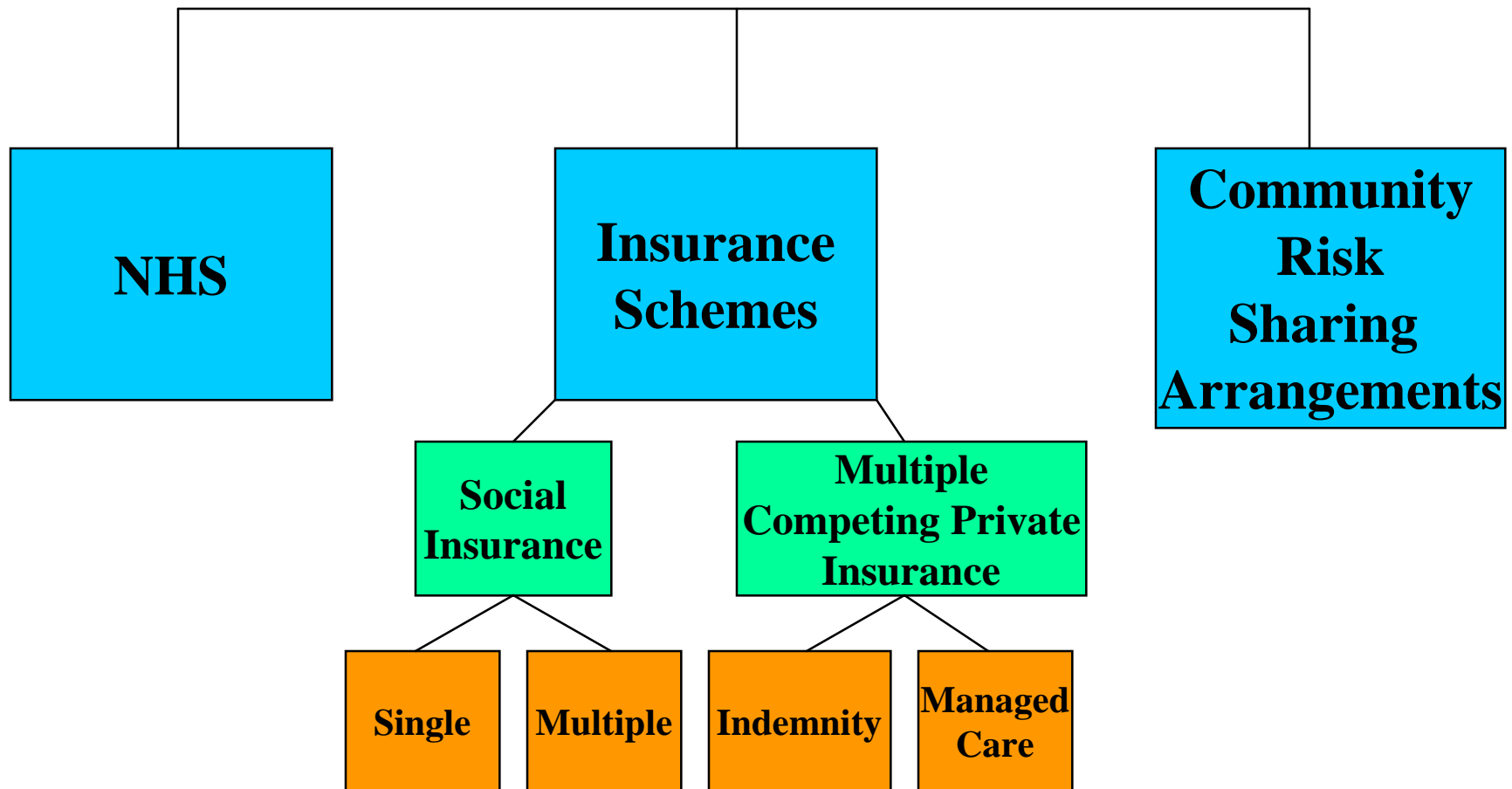
Pooling does not occur in a vacuum

They exist and interact under different institutional and organizational settings





Organizational Arrangements for Pooling





Technical Characteristics of alternative organizational arrangements

| | Collecting | Population in the Pool | Benefit package | Purchasing from | Provider Payment |
|--|-------------------------------------|--|---|---|---|
| NHS | General Tax | Population | Implicit. Same for all (often only in theory) | Usually from own (public) providers | Supply side type: Line Item Budgets |
| Social Insurance | Salary Related | Formal workers, mandatory | Often Explicit, non premium related , equal for all members | Usually from own providers | Supply side type: Line Item Budgets |
| Private Insurance | Risk Related | Voluntary contributors and affiliation | Explicit, premium related | Usually from own or other private providers | Demand side type: FFS or DRGs |
| Community/Provider Risk Sharing Arrangements | Variable, often a flat contribution | Voluntary contributors and affiliation | Often Explicit, non premium related , equal for all members | Usually from providers | Demand side type: FFS Some supply side financing |



Organizational arrangements exposure to different institutional incentives

| Organizational Forms External Incentives | NHS | Social Security Organizations | Community Pooling Organizations | Private Health Insurance Funds |
|---|--------------------------------------|--|--|--|
| 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 |

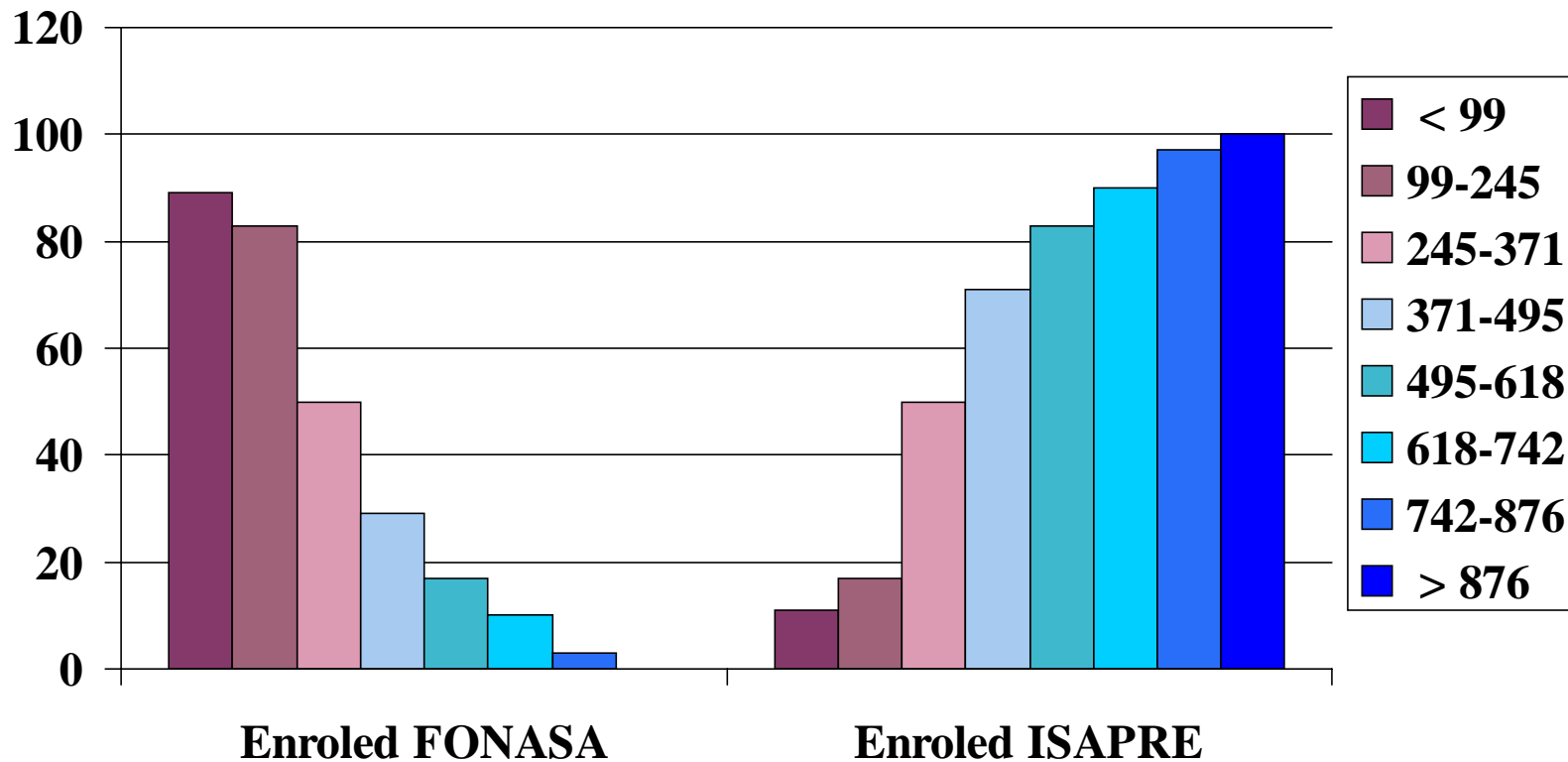
Note: The table includes several graphical annotations: red ovals around 'Social Security Organizations', 'Private Health Insurance Funds', and the bottom two cells of the 'Control Mechanisms' row; a large red arrow pointing from the 'Social Security Organizations' cell to the 'Private Health Insurance Funds' cell; a large red arrow pointing from the 'Community Pooling Organizations' cell to the 'Private Health Insurance Funds' cell; and a large blue 'X' over the 'Community Pooling Organizations' cell in the 'Public Policy driven financing' row.



FONASA and ISAPREs Population by income of principal (1994)

Source: ISAPRE Association and FONASA, 1995

% of all formal workers in the income category





Why then haven't we solved the problem of exclusion

- Poverty is a very significant determinant of exclusion which involves but goes far beyond the health sector
- We discuss too much about instruments and too little about goals and how to evaluate instrument performance in achieving them
- We focus too much about technical content and too little about organizational and institutional determinants of good performance
- We focus too much on vertical programs and too little on systems performance supporting them
- We simply are at a very preliminary stage of generating evidence to show for sure what works and what does not.



STEP collaborates with the overall department effort to implement a differential strategy for excluded populations and diverse institutional settings

