Raising revenue for health

Revenue generation

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Abt Associates Inc.
In collaboration with:
Avenir Health | Broad Branch Associates | Development Alternatives Inc. (DAI) | Johns Hopkins Bloomberg School of Public Health (JHSPH) | Results for Development Institute (R4D) | RTI International | Training Resources Group, Inc. (TRG)

Outline

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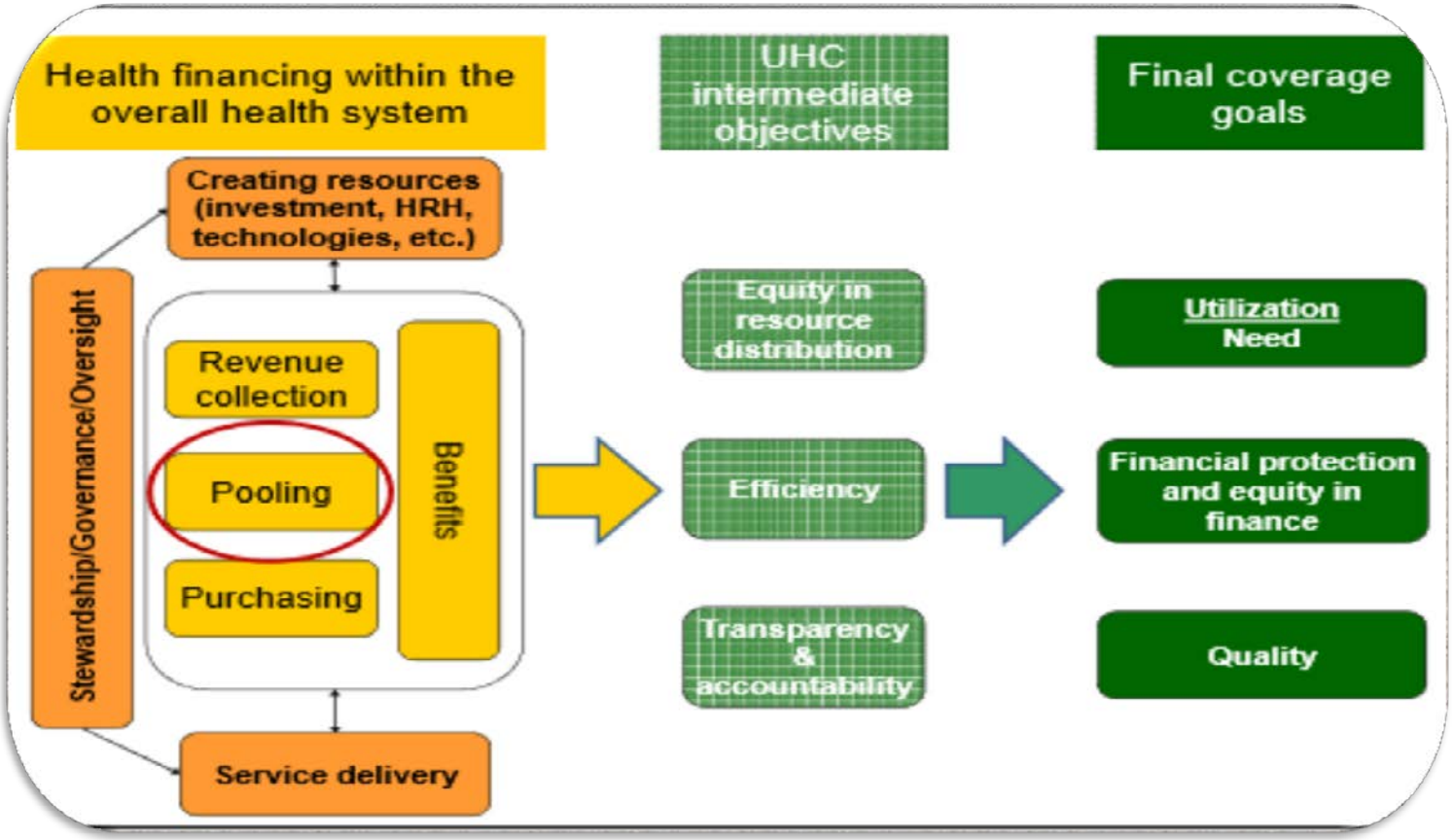
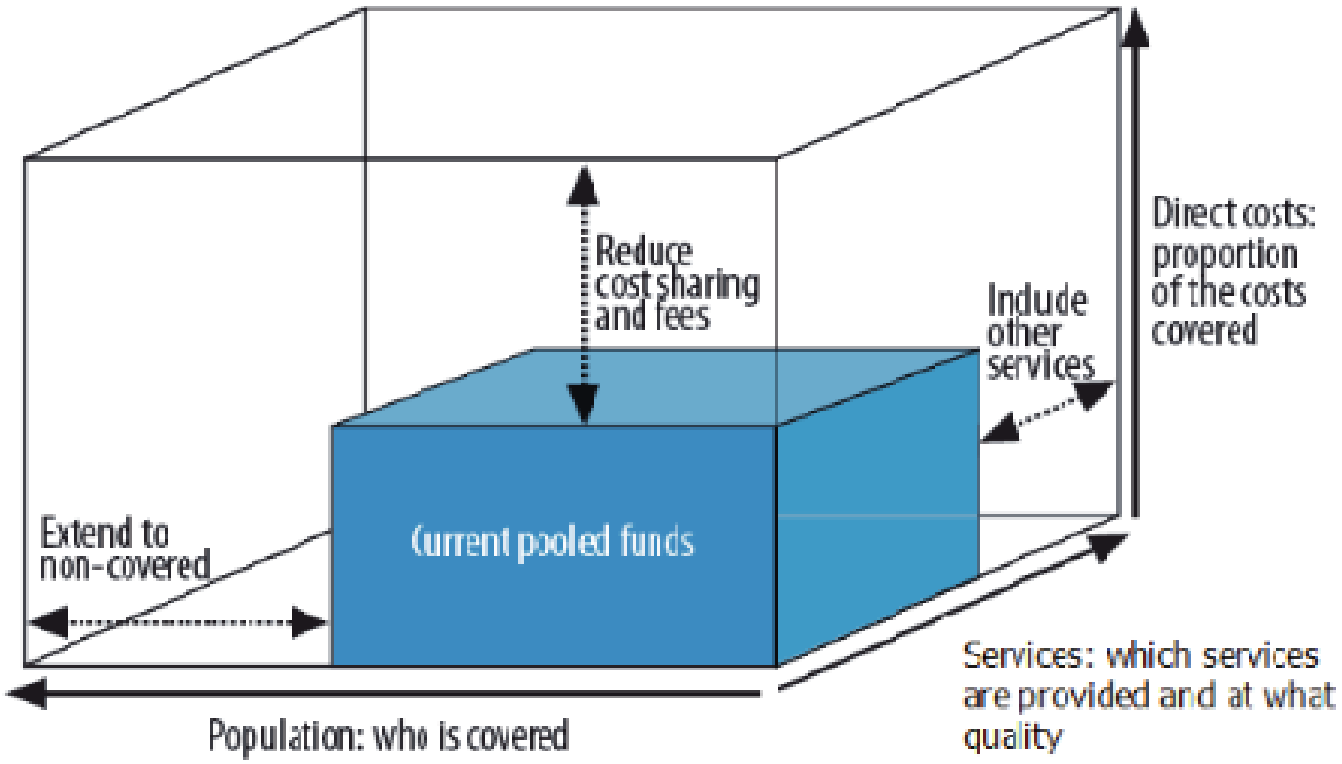
- How much do we need?
- Where will the money come from?
- Governance for Resource Mobilization
- Revenue Generation in Resource Constrained settings
- Conclusion

Introduction

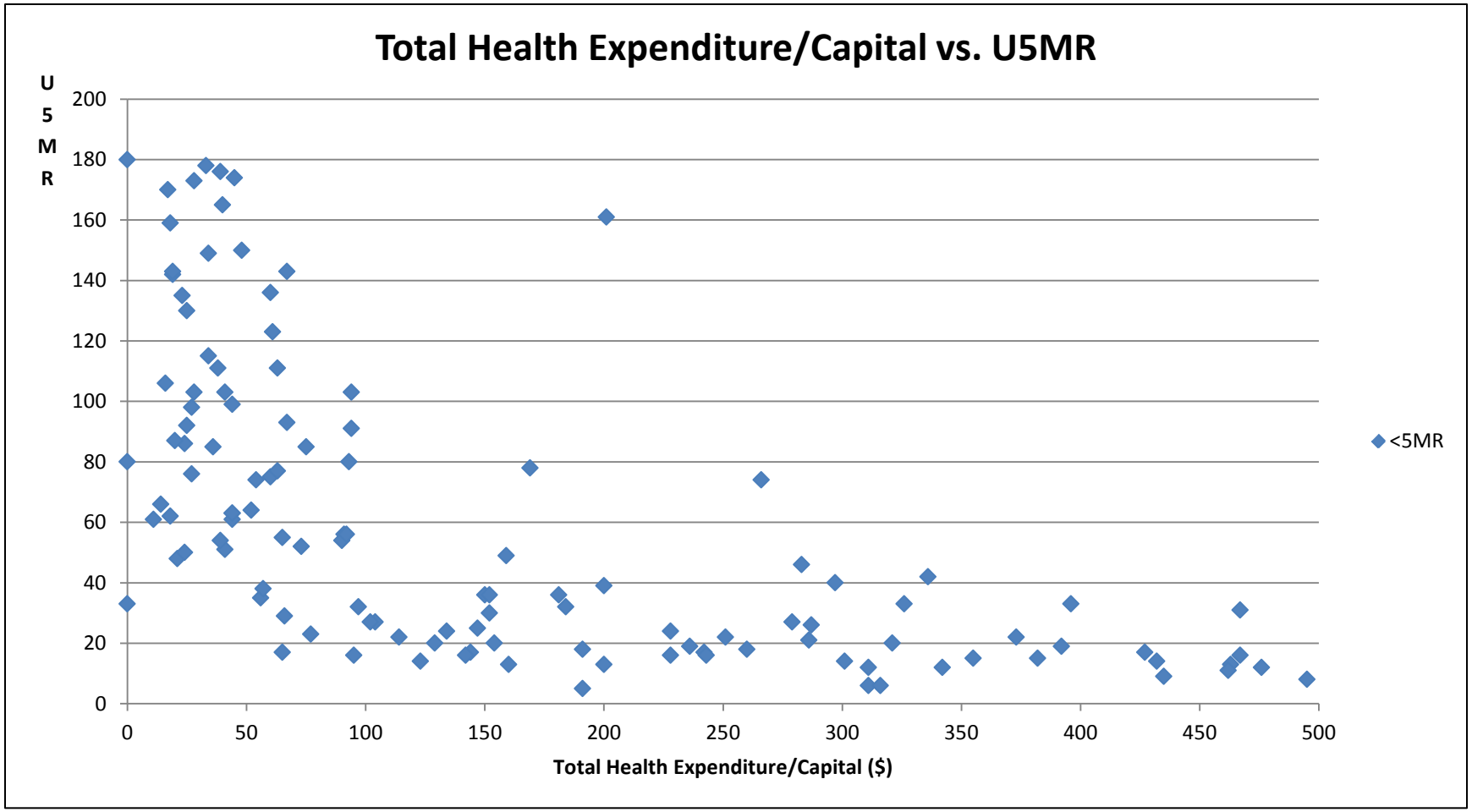


Introduction II

Three dimensions to consider when moving towards universal coverage



Health Expenditure vs Health Outcomes



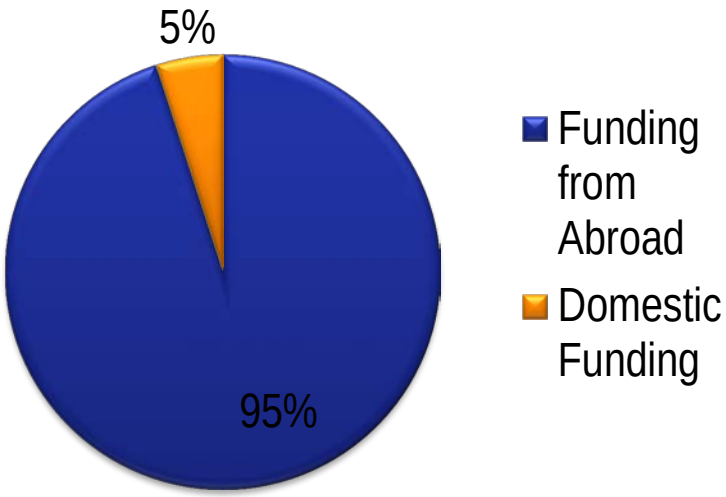
How much Money do we need?

Benchmarks/Indicators

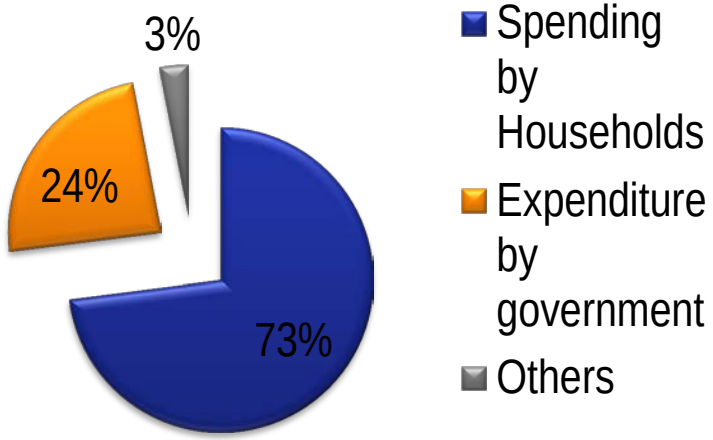
Benchmark	Recommended/Target	Nigeria Values
Government Expenditure per capita	$86 per capita	$31 (2013)(36%)
Budgetary allocation to the Health sector	Target is 15%	4.6% (2016)
% of GDP devoted to healthcare(Govt)	5%	1% (2013)
Household expenditure on Health as a % of Total Health Expenditure	<30%	73% (2013)
Level of Financial risk protection	90%	< than 5% of the pop

Sources of Health Financing in Nigeria(source WHO health Expenditure, 2013)

Who funds health care?



Who buys health care?



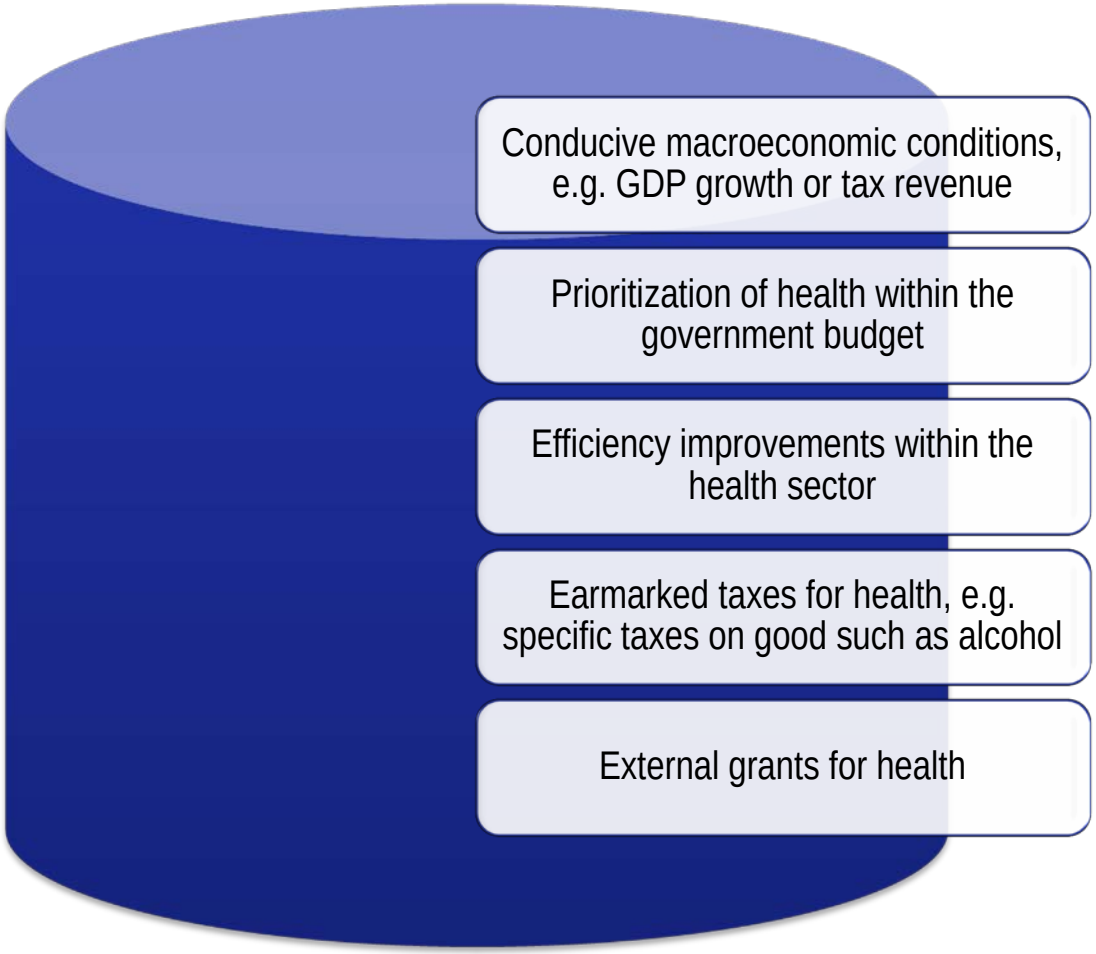
Where will the Money Come From?

Concept of Fiscal Space

- Fiscal space for health can be defined as

the capacity of government to increase its budgetary resources for health, without prejudicing the sustainability of the government's financial position

5 pillars of Fiscal Space Analysis



1. Conducive macroeconomic conditions

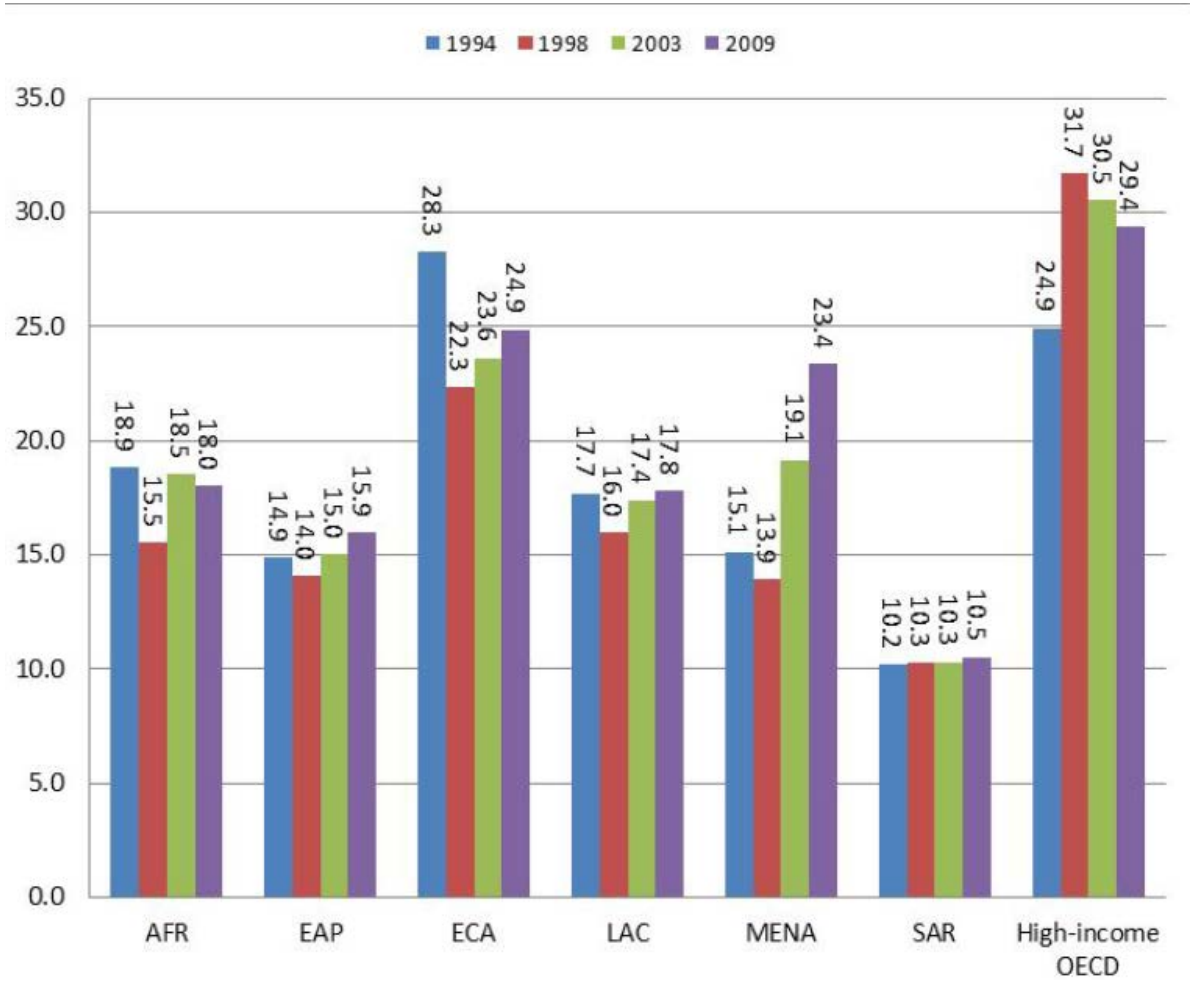
- Macro fiscal dynamics
- Size of the GDP
- Proportion collected as tax- admin, VAT, enforcement, political commitment eg Lagos state N2-20million/month.

Sources of General Revenue

- Earnings from government enterprises (e.g. oil, steel, coal)
- Direct taxes *(more progressive)*
  - personal income taxes
  - corporate profit taxes
  - property taxes
  - wealth taxes
- Indirect taxes *(less progressive)*
  - sales taxes (clothing)
  - excise taxes (tobacco, alcohol, gasoline)
  - value added taxes (intermediate products contributing to a final good, such as car seats or radios in a car)
  - import duties
  - export taxes

Tax power in SSA on par with other developing regions …

Tax revenue as % of GDP



AFR: SSA

EAP: East Asia and Pacific

ECA: Eastern European and Central Asia

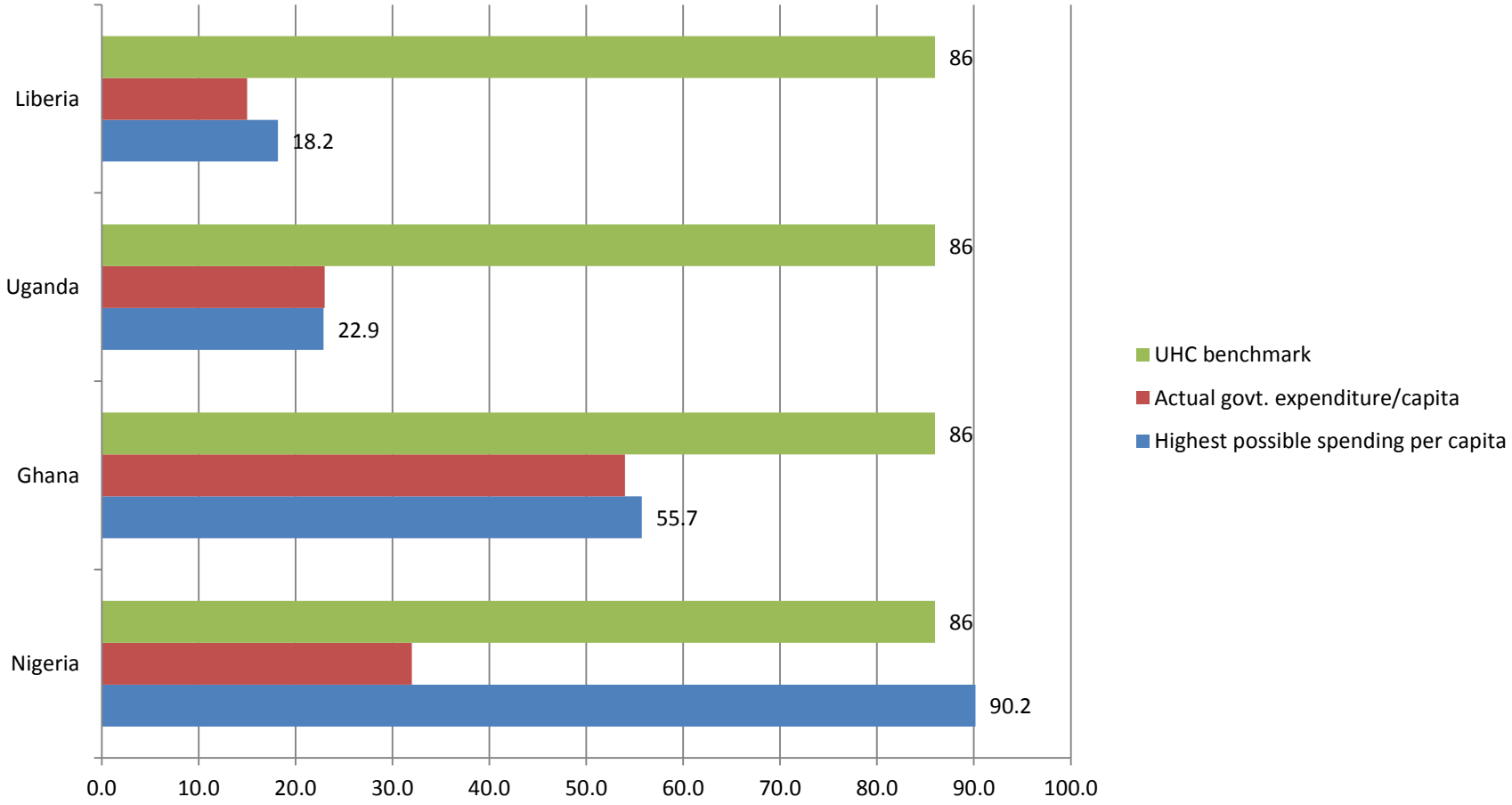
LAC: Latin America & Caribbean

MENA: Middle East & North Africa

SAR: South Asia

Source: World Bank Development Indicators, from Le et al. 2012. Tax capacity and tax effort: extended cross-country analysis from 1994 to 2009.

Nigeria has the capacity to attain targets



2. Prioritization of health within the government budget

- Making the case for Health-credible and comprehensive sector plans.
- Allocation
- Release
- Spending- Efficiency

How do we make a case for improved health investments?

Making a multi-dimentional case.

- Health Benefits
- Efficiency – resource tracking.
- Economic Benefits- ↑GDP, Increased Productivity, Investments in Health, Poverty Reduction, Employment Creation
- Social Benefits
- Political Benefits
- NHS is the third largest employer of labour in the world!!

3. Earmarked taxes for health/Innovations

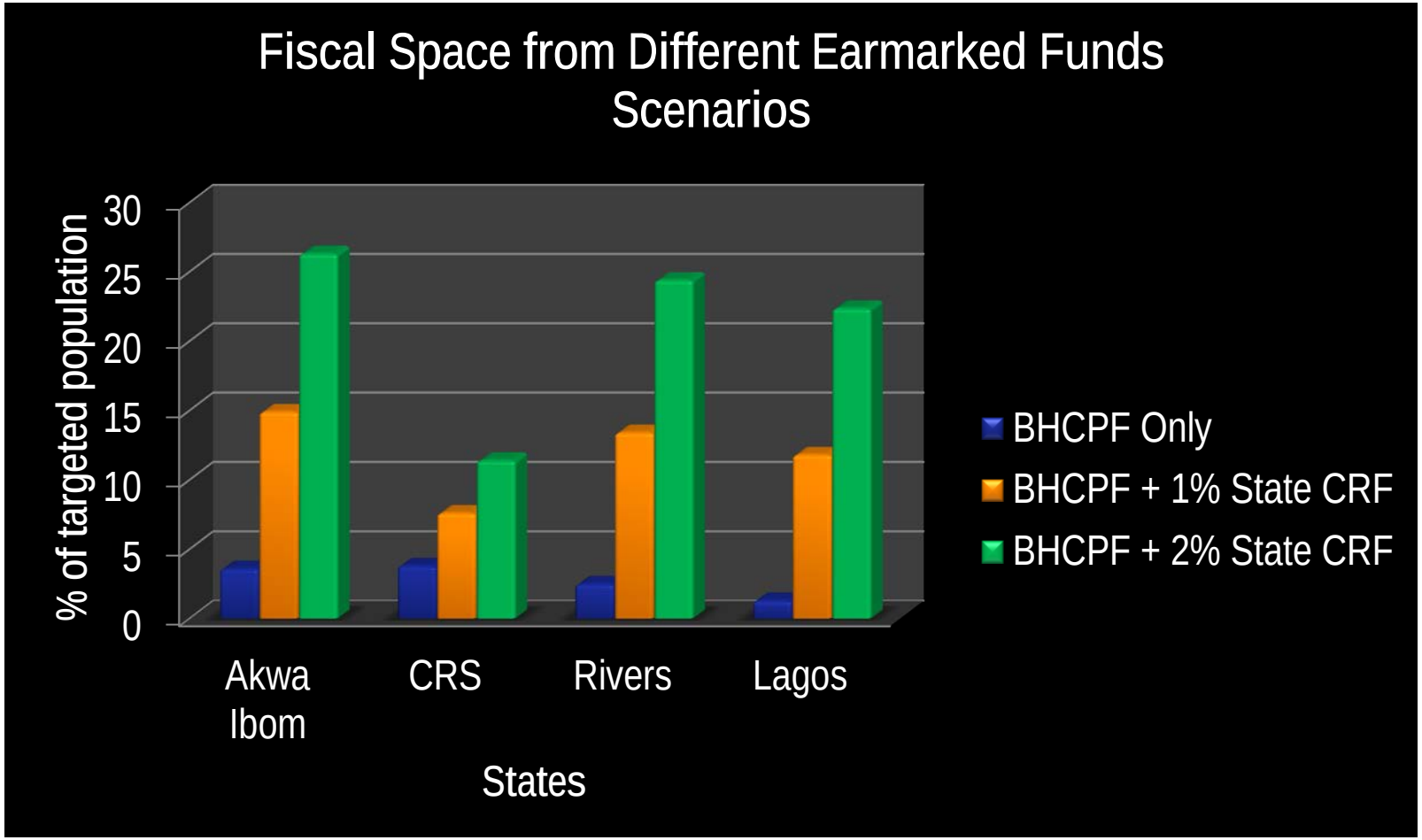
- Earmarked funds-

Examples –BHCPF at lease 1%, 1% state CRF, Lagos, CSR Bauchi, 0.5% of state revenue earmarked funds for HIV/AIDS(NCH 2017).

- specific taxes - on goods such as alcohol, tobacco, luxurious goods.
- Additional/special funding
- Premium contributions
- Innovations, Investments in health- PPP, phone tax

Are there any untapped opportunities in my state?

Earmarked funds can provide additional fiscal space

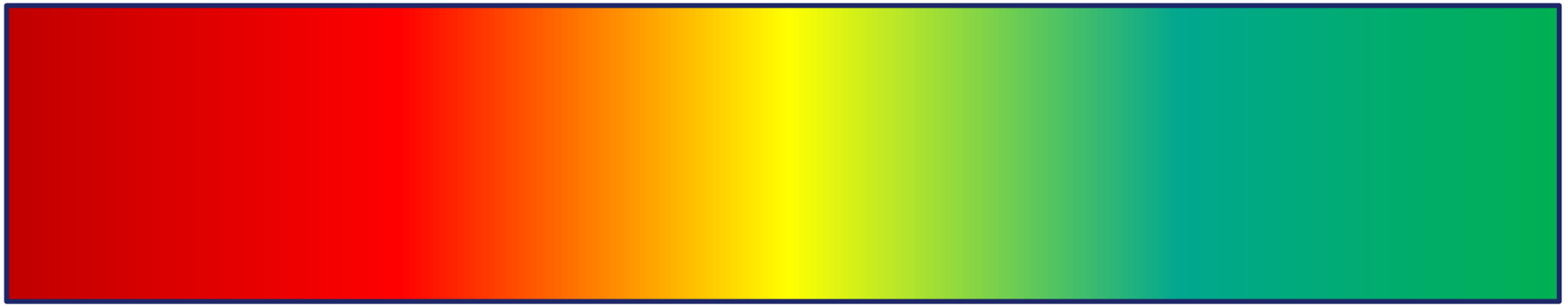


4. External grants for health

- <5% of Total Health Expenditure
- Examples –SOML, GFF
- Short lived
- Unpredictable
- Usually tied to donor's interests

What are the consequences of unpredictable, unstable flow of funds for financing of health care services?

Aid Effect Continuum

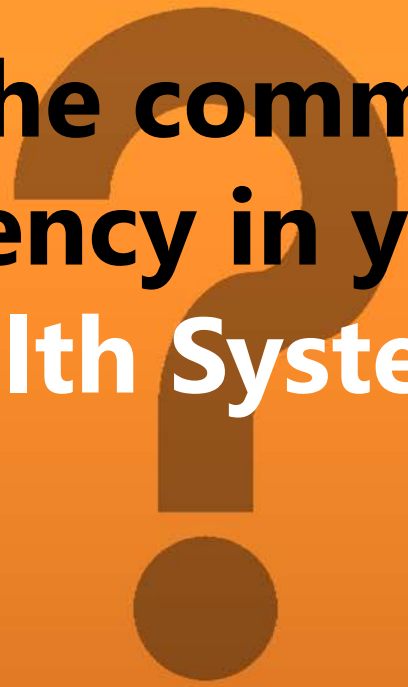


Fungibility(displacement)	Additionality(adding up)	Catalytic(propelling)
- Aid displaces domestic funds - Huge funding gap - Aid dependence - Withdrawal syndrome	- Aid adds to domestic funds - Increased funding but significant gap exist - Limited ownership - Not sustainable	- Aid stimulates increased domestic financing - Narrowed funding gaps - Strong local ownership - Highly sustainable

Gafar Alawode 2016

5. Efficiency improvements within the health sector

What are the common causes of inefficiency in your state's Health System?



Efficiency improvements within the health sector

Causes of Inefficiency

- Medicines- generic vs branded, Substandard/counterfeit, Inappropriate/ineffective
- Health Care Products-overuse, oversupply, SID
- HRH- technical inefficiency, unmotivated workers
- Health Interventions- inappropriate strategy, high cost low effect
- Health care services- Inappropriate admissions/length of stay, medical errors/sub-optimal QoC
- Leakages- waste, corruption, fraud.
- Poor Governance, Management- Inappropriate hospital size, poor supervision

Efficiency improvements within the health sector

Possible Solutions

- Quality Improvement
- QA for medicines
- Appropriate use of medicines, technology and services
- HRH Motivation
- Improve Hospital Efficiency
- ↓ **Medical errors**
- Eliminate waste, corruption
- Critical assessment of which services are needed.
- Strategic allocation of resources and interventions
- Improved Governance and Management Structures- Multi-sectoral approach.

More Health for Money

- 20 to 40% of health spending is wasted due to inefficiency!

Study	Cost of obtaining one year of healthy life		
	Current Mix	Optimal Mix	Improvement
Neuropsychiatric interventions in Nigeria(NGN)	37835	26835	30%
Malaria drug treatment in Zambia(cost per case cured)(US Dollars)	10.65	8.57	20%

Source WHO 2010

Governance for Resource Mobilization

- Policy Environment- Policy Guidelines, Laws- BHCPF, HFU, HF,TWG
- Institutional capacity and arrangement – HFU, HF TWG, DRM TWG, strategy documents
- Intelligence gathering- resource tracking, evidence for allocations

Governance for Resource Mobilization

- Oversight, Accountability and citizen participation- consumer feedback, supervision, SHA, procurement laws
- Political Economy- advocacy, strategic engagements
- Sectorial coordination- Maximize donor efforts, prevent duplication.
- Inter-sectoral collaboration- SMOH, MoF, MoJ, SHoA, Development partners,MoBEP, MoI

What roles can these actors play in ensuring improved funding for health? BHCPF? Allocation? Release?

Revenue Generation in Resource Constrained Settings

Opportunity for change!

- Conducive Macroeconomy- improve tax power, progressive systems
- Prioritizing Health Care- Strategic planning and mobilization, advocacy, demonstrate efficiency, PFM, multi-sectorial approach.
- Efficiency Improvements- revenue collection, spending, health plans and allocation, resource tracking, governance
- Earmarked funds- explore possible mechanisms, ensure implementation of the BHCPF, state >1% CRF, pre-payment/premium contributions, innovations, investments
- External Funds- effective use of donor funds, catalytic, improved co-ordination/governance, Improved Government Ownership and Leadership
- Others?

Which is more Important?

More Health for Money

OR

More Money for Health

Some Conclusions

- Health Financing reforms are needed to achieve UHC
- Government needs to spend more to attain UHC
- a mix of revenue sources and revenue generation mechanisms needed to to build a stable, predictable and sustainable system
- effectiveness and efficiency can be improved by:
  - Collecting existing taxes through better tax design (policy) and tax collection systems
  - Increasing government allocation and budget performance
  - Spending those revenues to improve health care and financial protection for the poor in an efficient manner.
  - Catalytic effect of external funds

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