

COVID-19 Crisis: Implications for Health Financing

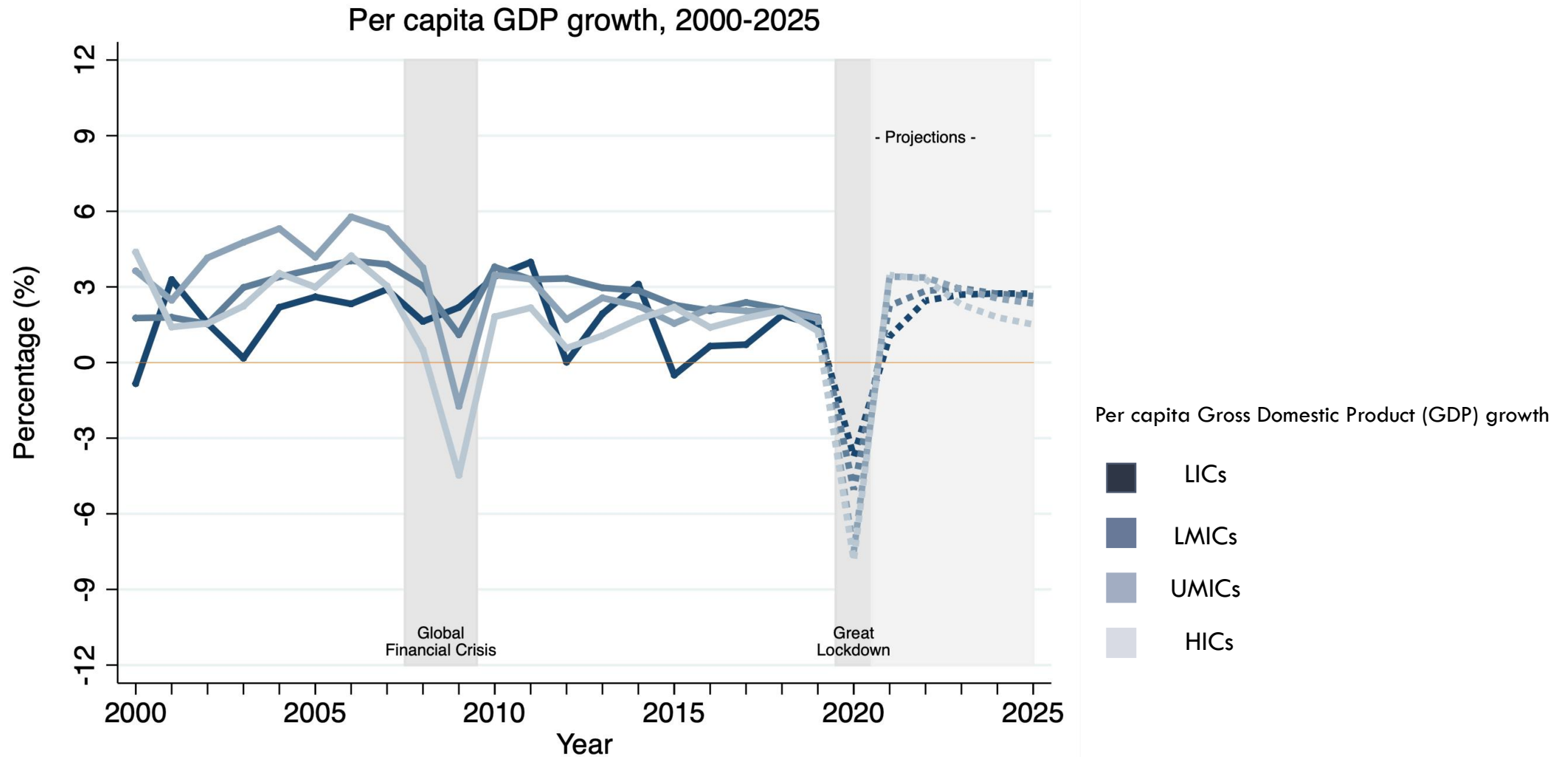


The COVID-19 crisis

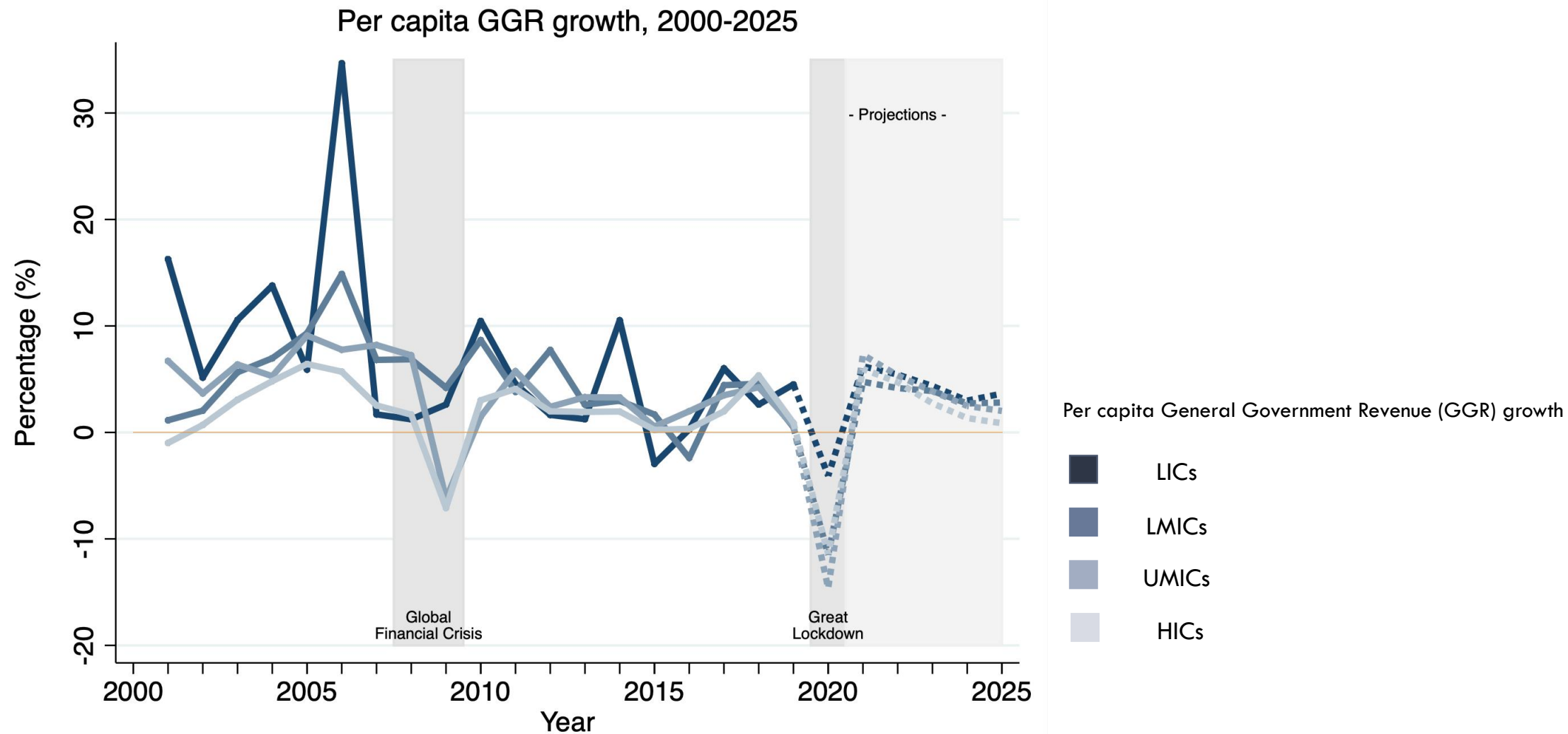
- **Macro-economic impact**
- **Health spending impact**
- **The 2020 government health spending response**
- **Historic drivers of government health spending**
- **Policy options to sustain government health spending**

MACRO-ECONOMIC IMPACT

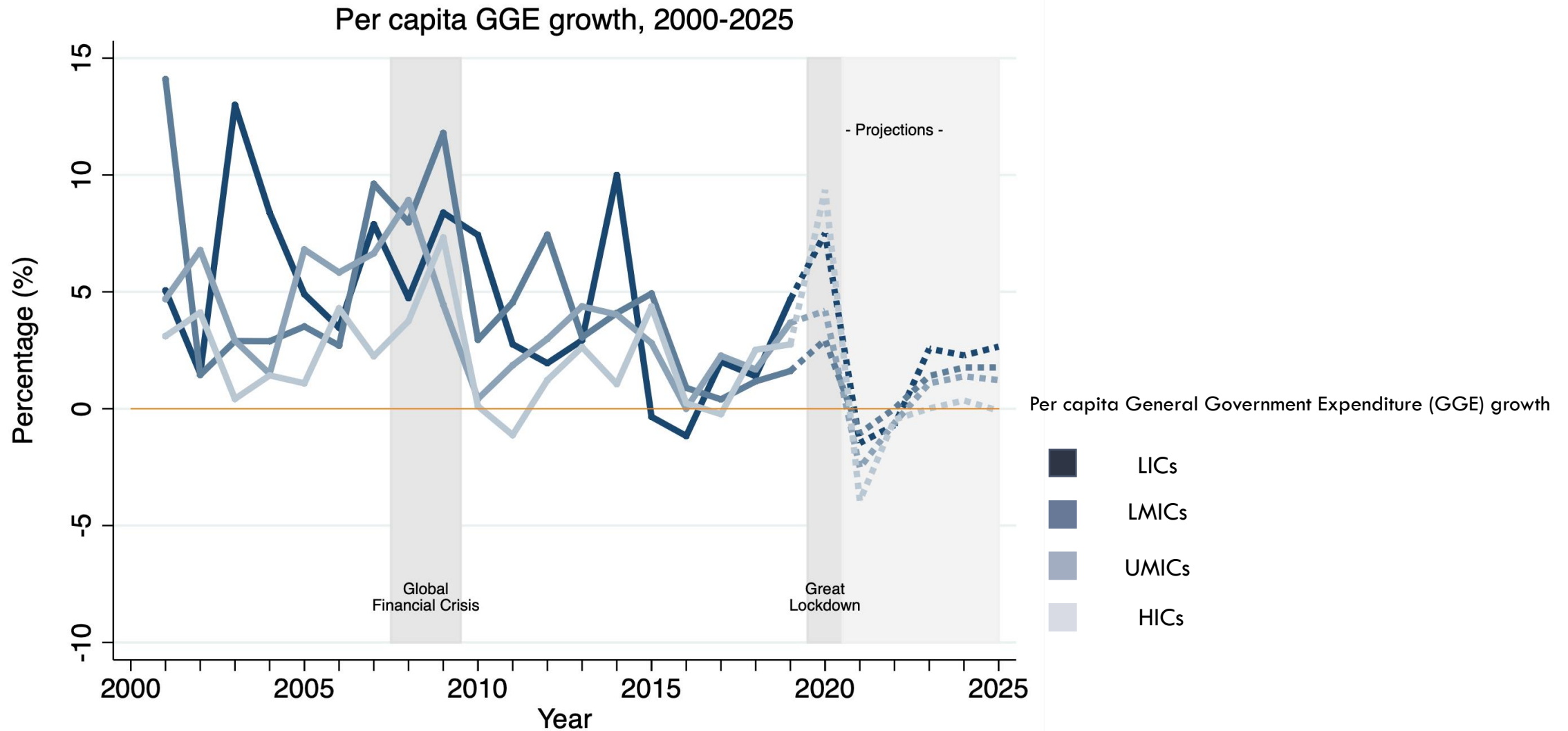
COVID-19 has resulted in a deep global recession in 2020



Government revenues have fallen even faster than economic output

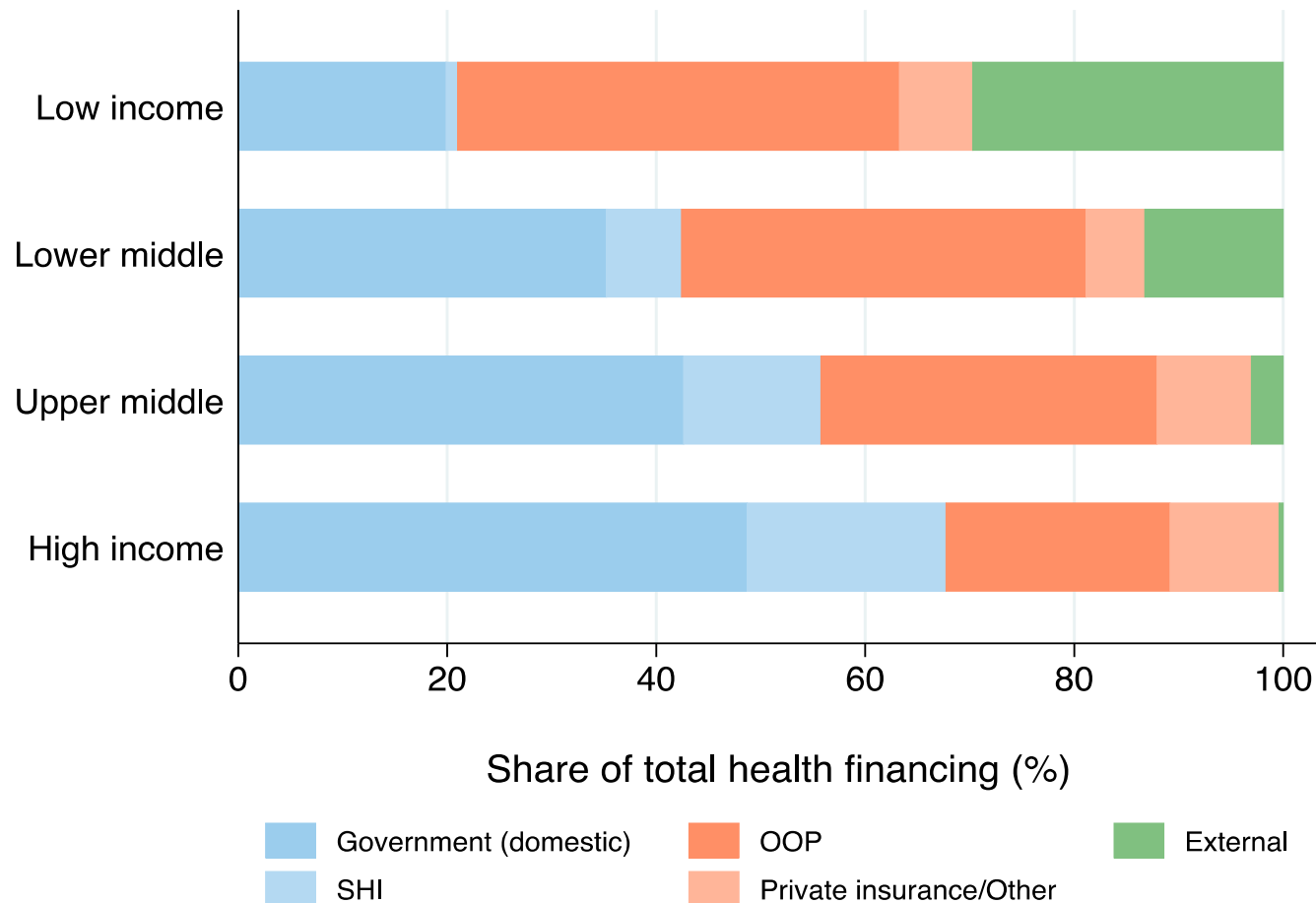


Governments increased spending in 2020, but levels are projected to fall sharply in 2021



HEALTH SPENDING IMPACT

Health expenditure components and their income elasticity



1.30

Income elasticity of government expenditure on health

0.88

Income elasticity of out-of-pocket (OOP)

\$14 B

Stagnant and ?

Scenarios

1

Government decisions about per-capita health spending follow the same, procyclical observed in the past

2

Governments choose to hold the pre-pandemic share of health in government spending constant

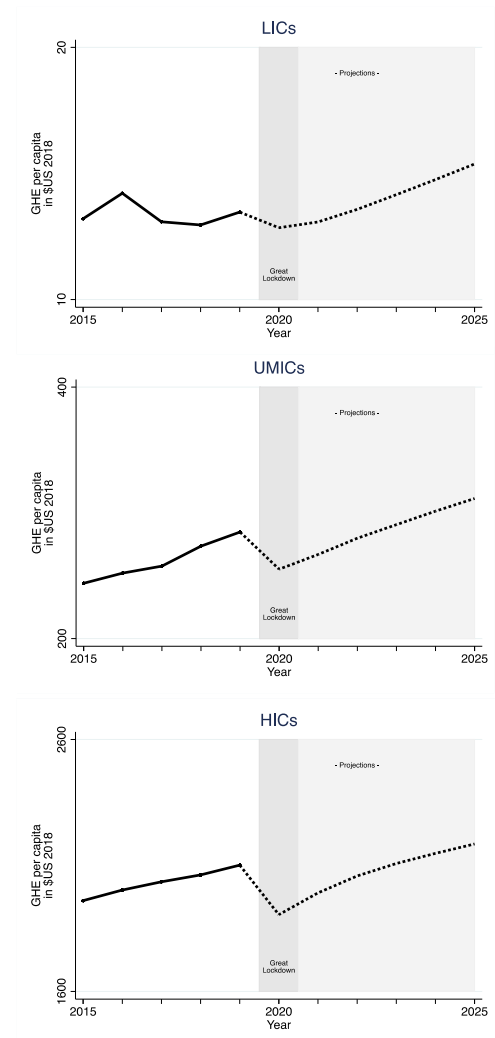
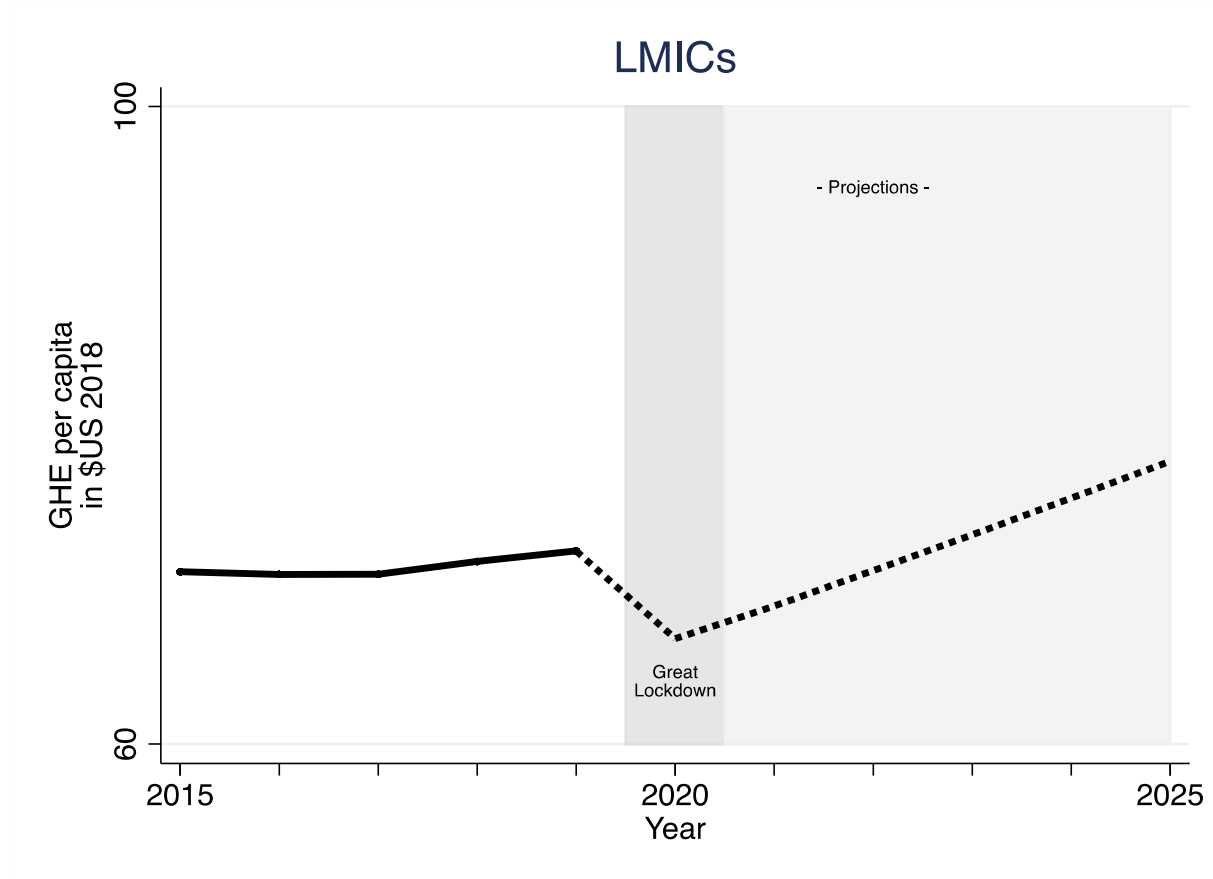
3

Governments protect the pre-pandemic trends in the growth of per capita government health spending

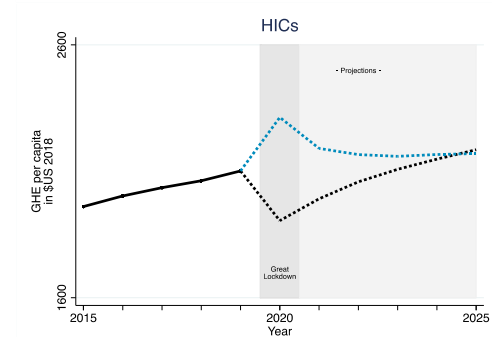
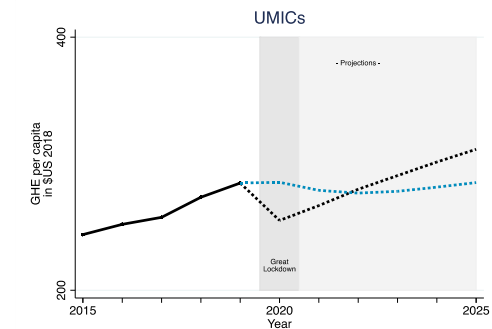
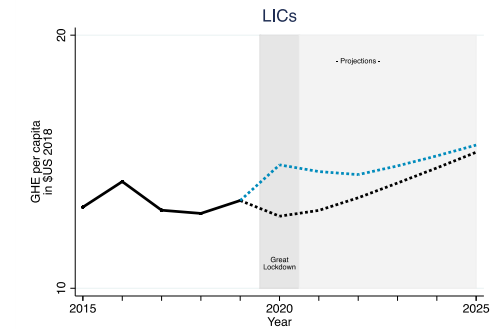
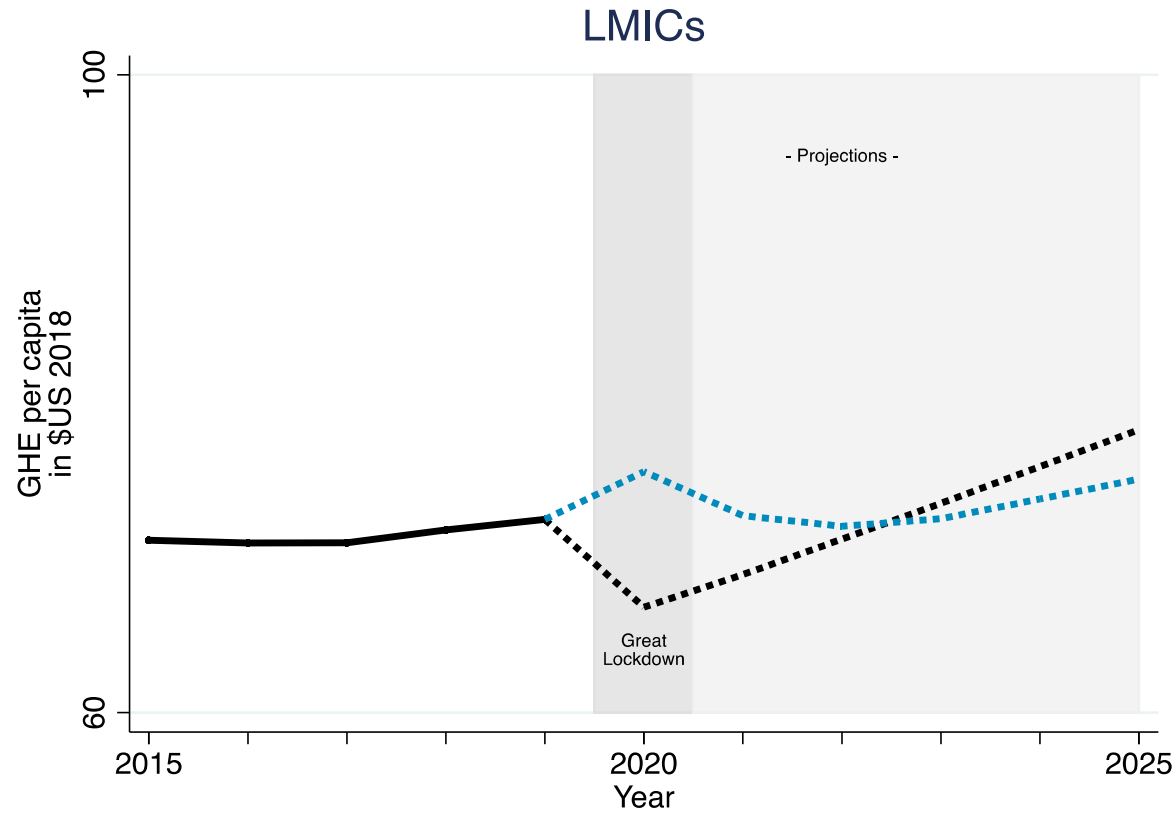
4

Governments increase spending at the pre-pandemic growth rate, compensating also for lower Out-of-Pocket (OOP)

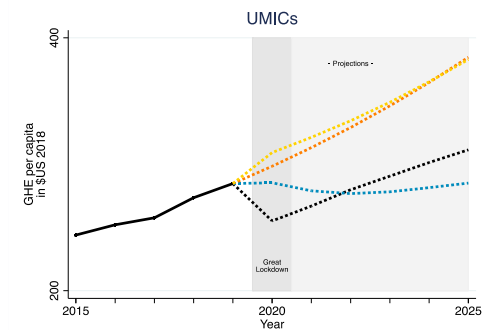
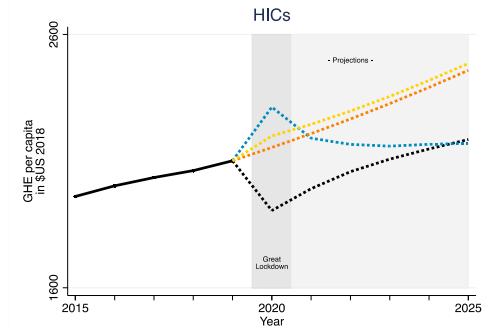
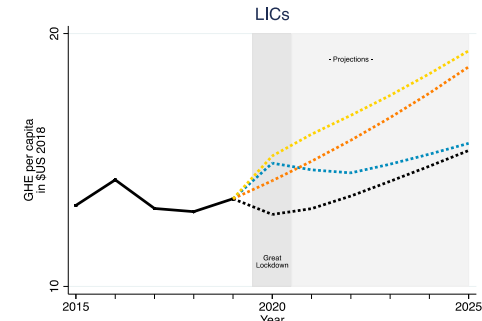
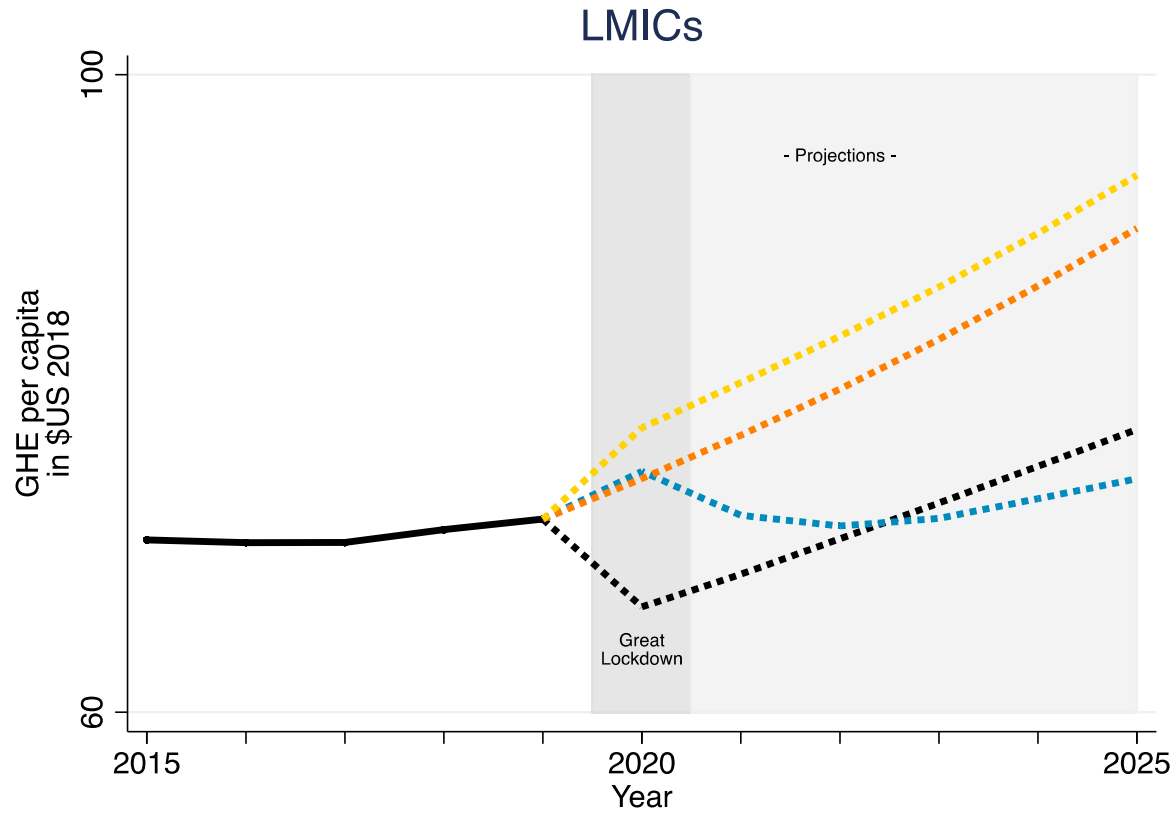
Scenario 1



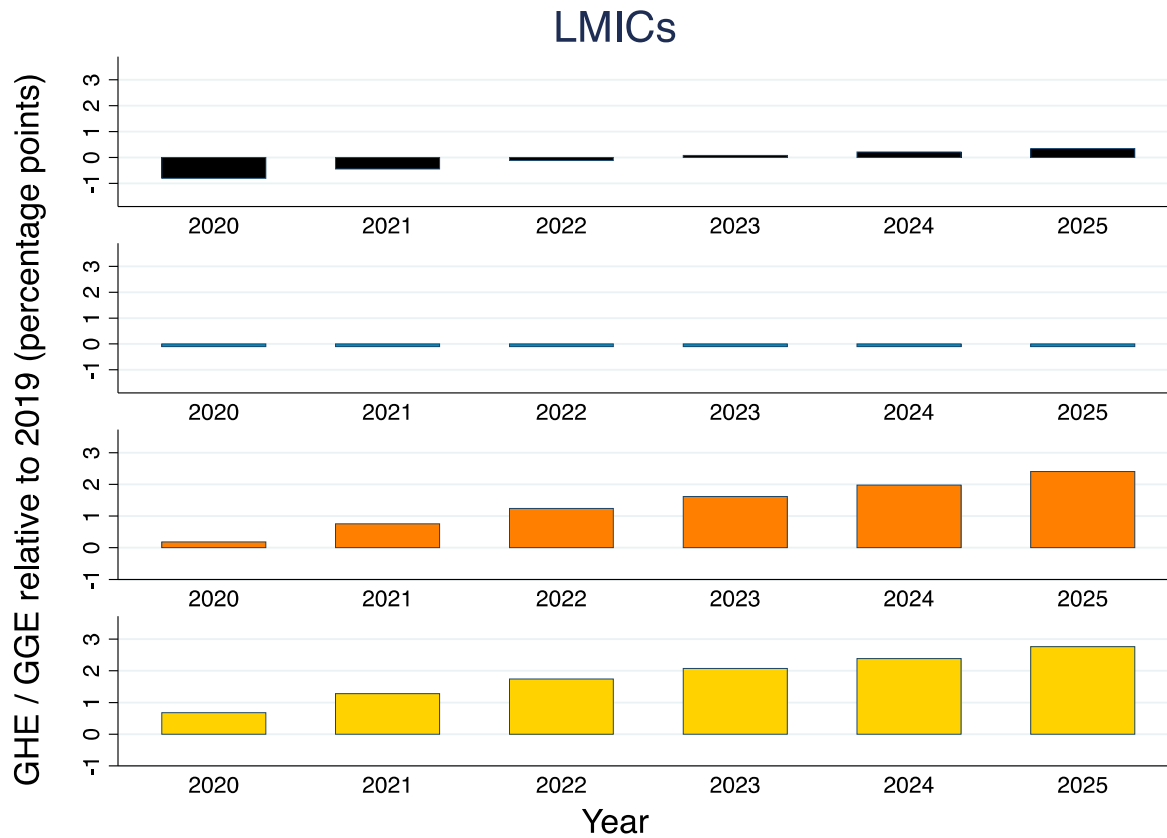
Scenario 2



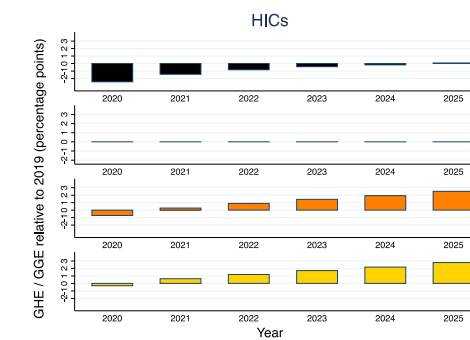
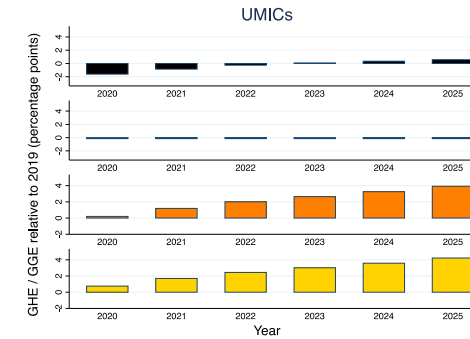
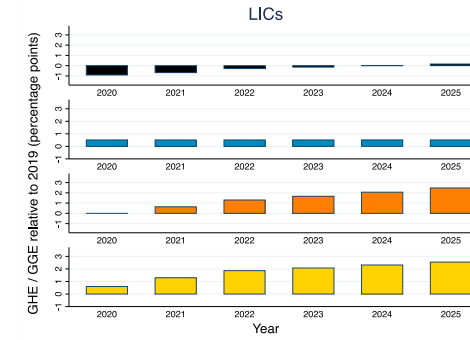
Scenarios 3 and 4



Changes in GHE/GGE – Scenarios 1 to 4



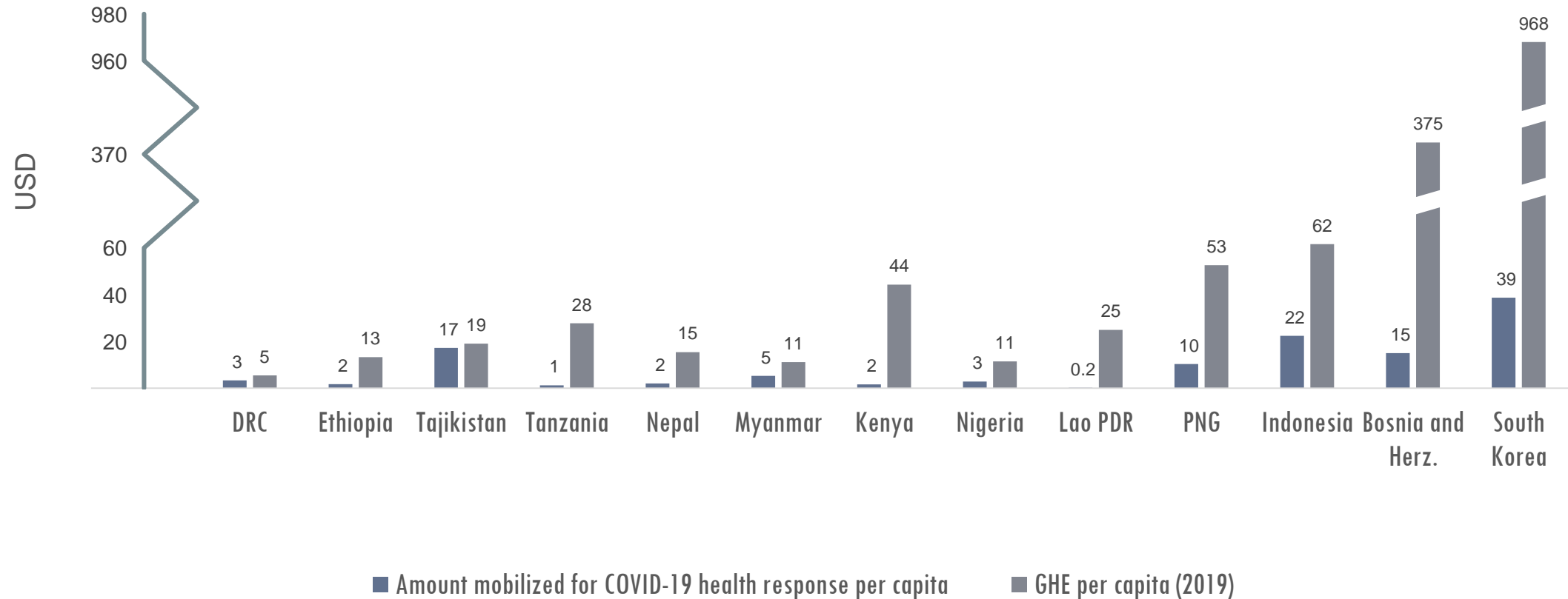
Government Health Expenditure (GHE) / General Government Expenditure (GGE)



THE 2020 RESPONSE

Actual Mobilization for Health Compared to GHE per capita

Per Capita Amount Mobilized for COVID-19 Health Response vs. 2019 Government Health Spending

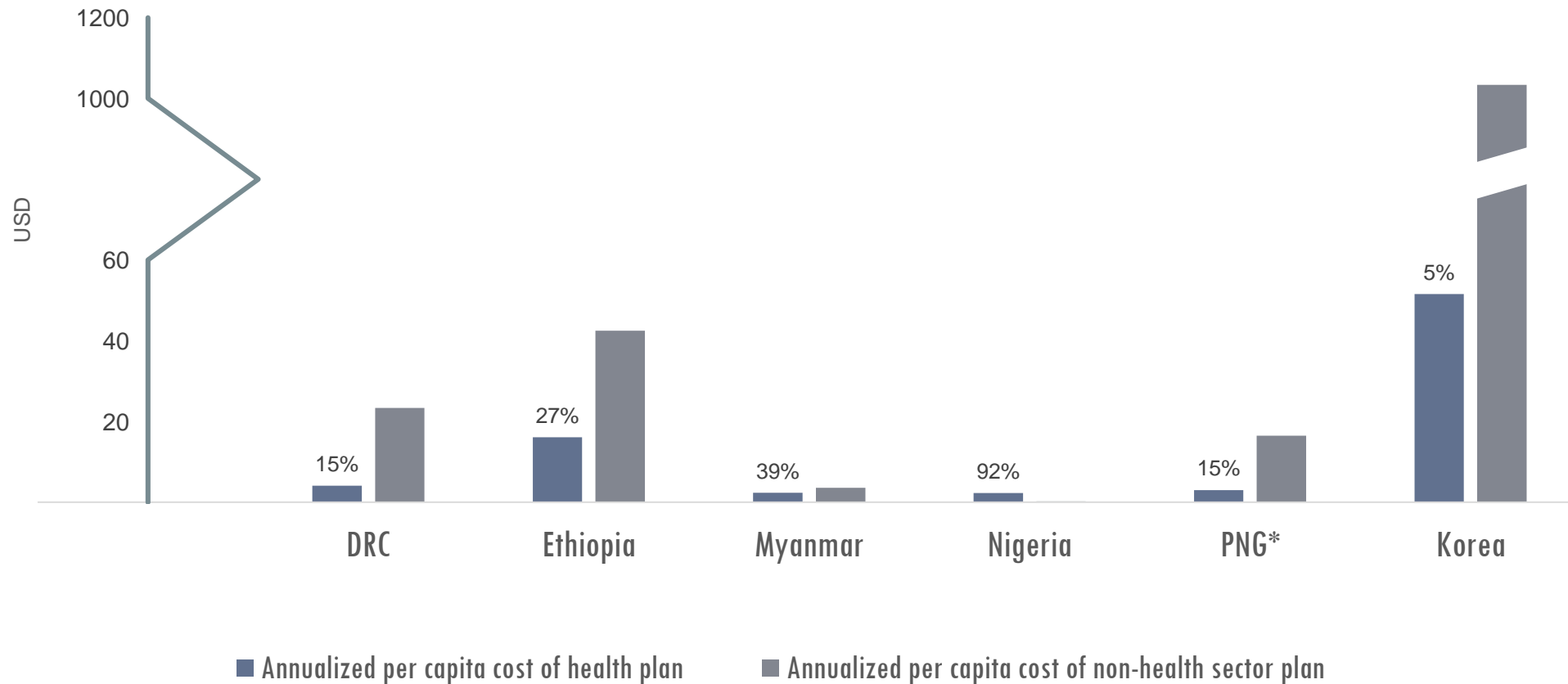


Sources of Additional Funding for Health

Countries	Budget	Contingency Funds	External Financing
LIC (3)	2	3	3
<i>Democratic Republic of Congo</i>			
<i>Ethiopia</i>			
<i>Tajikistan</i>			
LMIC (8)	7	5	8
<i>Lao PDR</i>			
<i>Myanmar</i>			
<i>Papua New Guinea</i>			
<i>Cambodia</i>			
<i>Nepal</i>			
<i>Nigeria</i>			
<i>Tanzania</i>			
<i>Kenya</i>			
UMIC (3)	2	3	3
<i>Indonesia</i>			
<i>Mexico</i>			in-kind
<i>Bosnia and Herzegovina (FBiH and Srpska)</i>			
HIC (1)	1		
<i>Korea</i>			

Response by Sector

Estimated Per Capita Cost of Health Plan vs. Non-Health Plan



HISTORIC DRIVERS

Landscaping public spending on health...

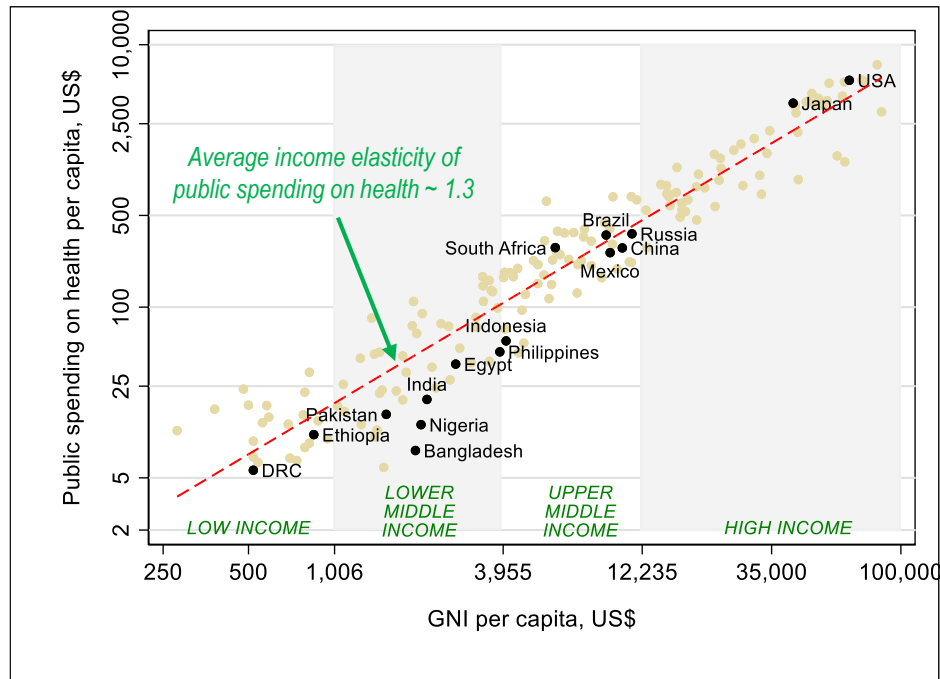
LICs: US\$12.5 in 2009 → US\$12.9 in 2018 (0.7% annual growth)

LMIs: US\$61 in 2009 → US\$70 in 2018 (1.5% annual growth)

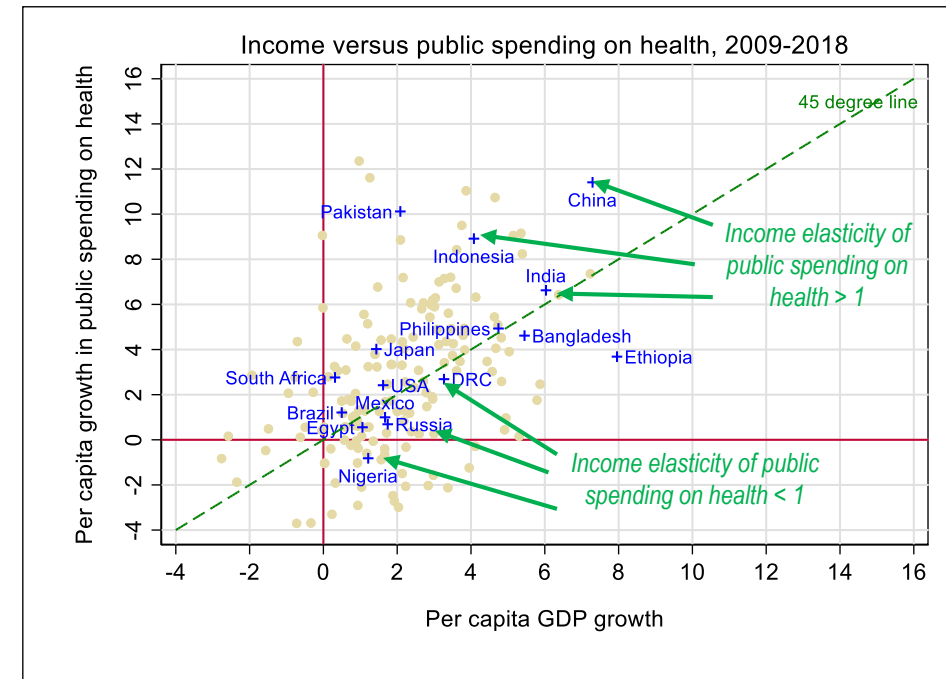
UMIs: US\$228 in 2009 → US\$283 in 2018 (2.3% annual growth)

HICs: US\$1,862 in 2009 → US\$2,182 in 2018 (1.4% annual growth)

Strong relationship with income in levels and growth; growth in public spending on health generally > economic growth, but not always

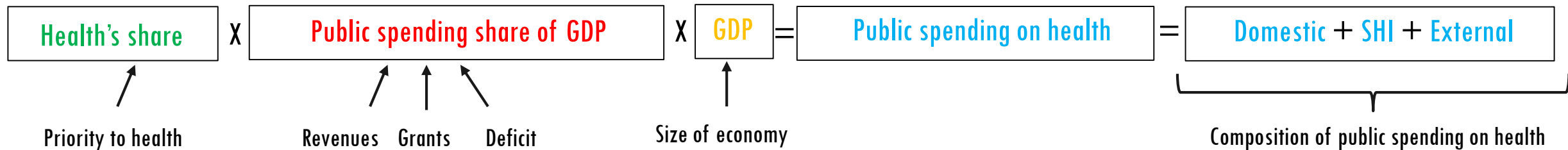


Cross-Section, 2018



Time-Series, 2009-2018

Decomposing changes in public spending on health... implications for projections



2009
 $5\% \times 15\% \times \text{US\$1,824} = \text{US\$14}$
 Revenues 10% + Deficit 5%

2018
 $5\% \times 13\% \times \text{US\$2,033} = \text{US\$13}$
 Revenues 9% + Deficit 4%

2021
 $5\% \times 12\% \times \text{US\$1,874} = \text{US\$11}$
 ? Revenues 7% + Deficit 5%



2009
 $8\% \times 26\% \times \text{US\$5,264} = \text{US\$107}$
 Revenues 24% + Deficit 2%

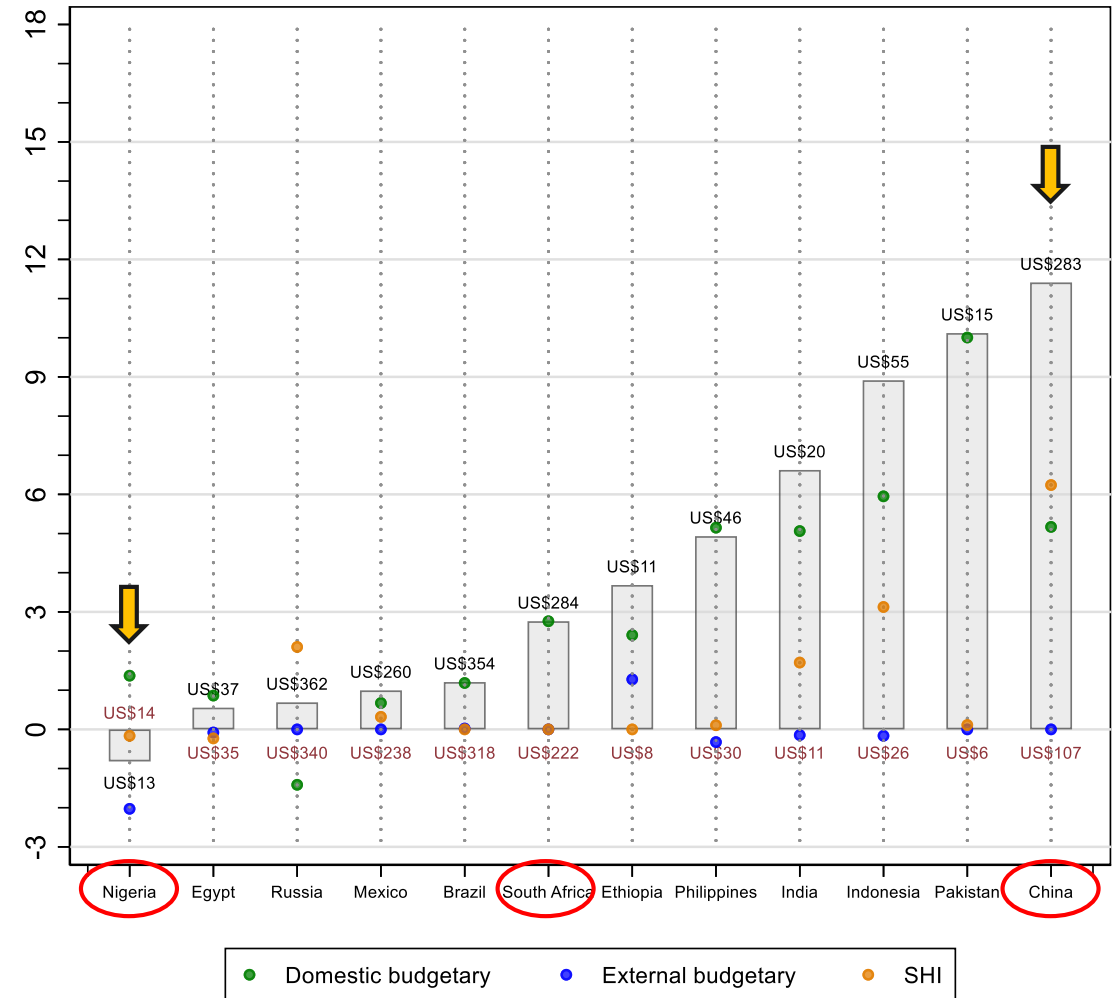
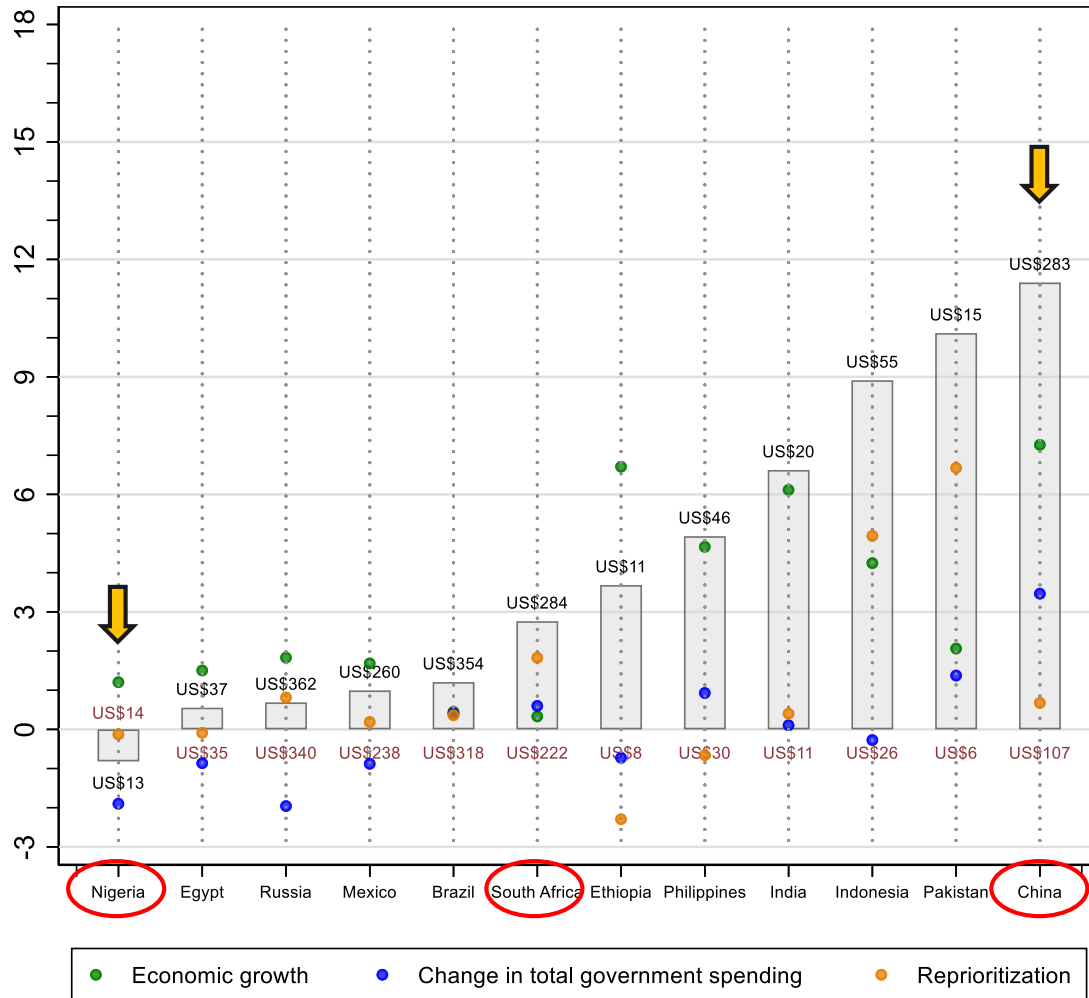
2018
 $9\% \times 33\% \times \text{US\$9,920} = \text{US\$283}$
 Revenues 28% + Deficit 5%

2021
 $9\% \times 37\% \times \text{US\$11,499} = \text{US\$383}$
 ? Revenues 25% + Deficit 12%

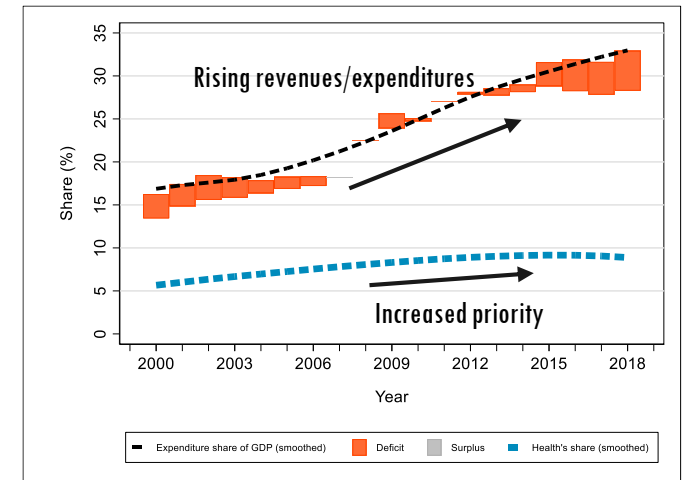
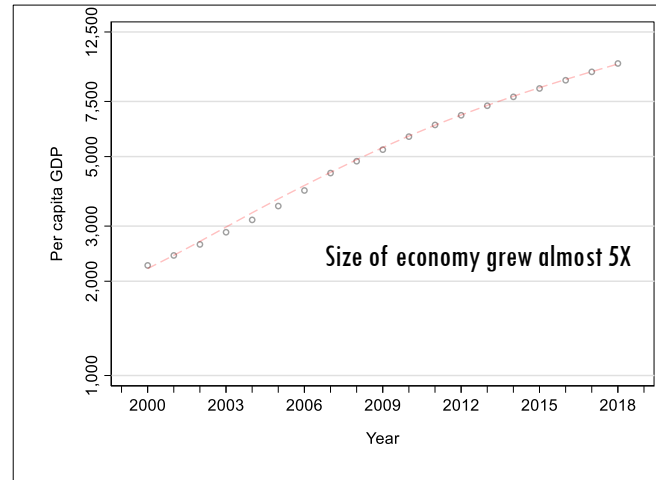
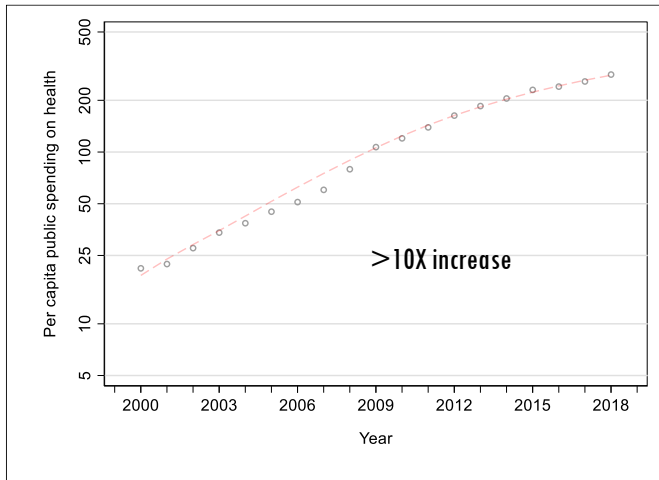
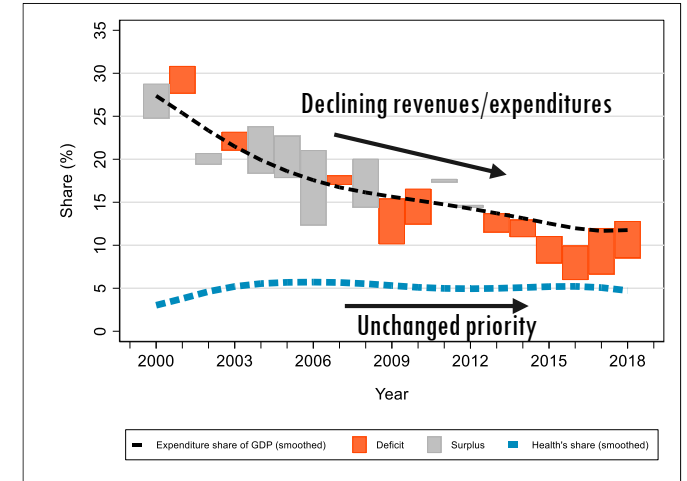
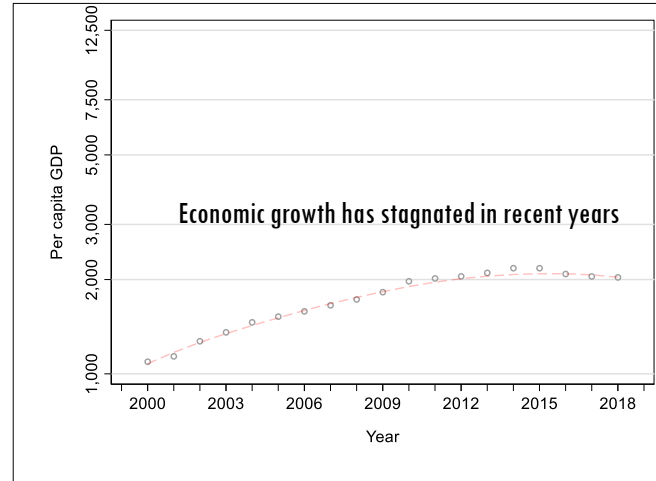
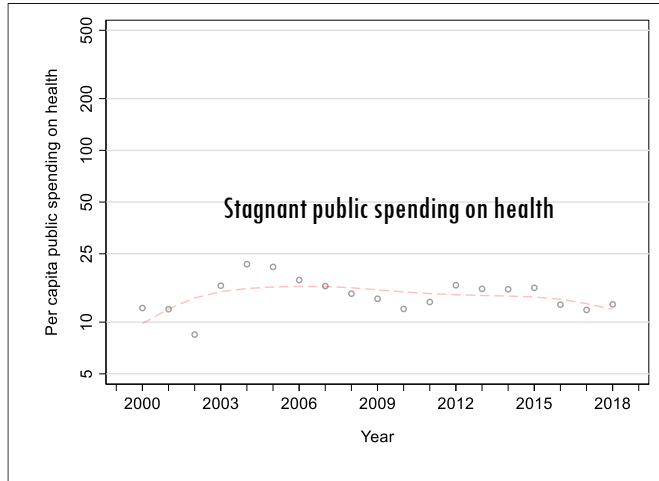
Size of economy matters, but so does overall revenue effort, willingness/ability to borrow, and priority to health (latter's role has been limited)

Decomposing changes in public spending on health... (2009-2018)

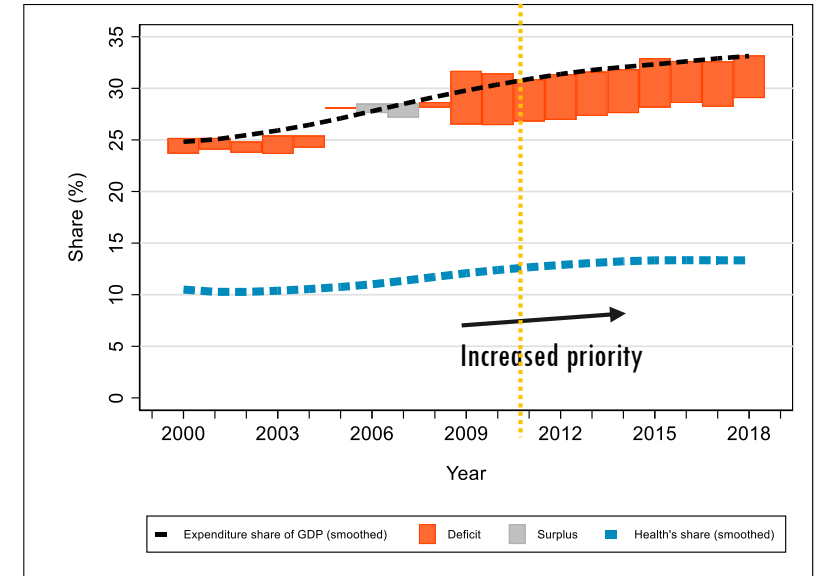
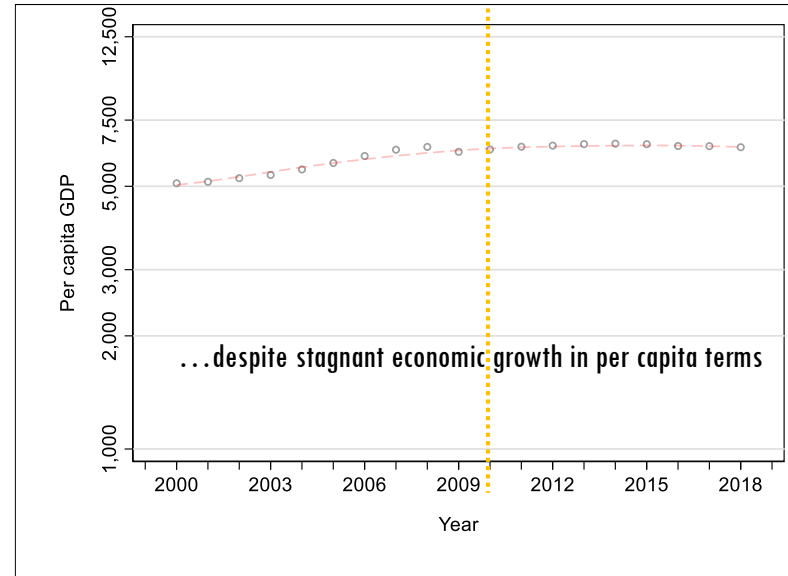
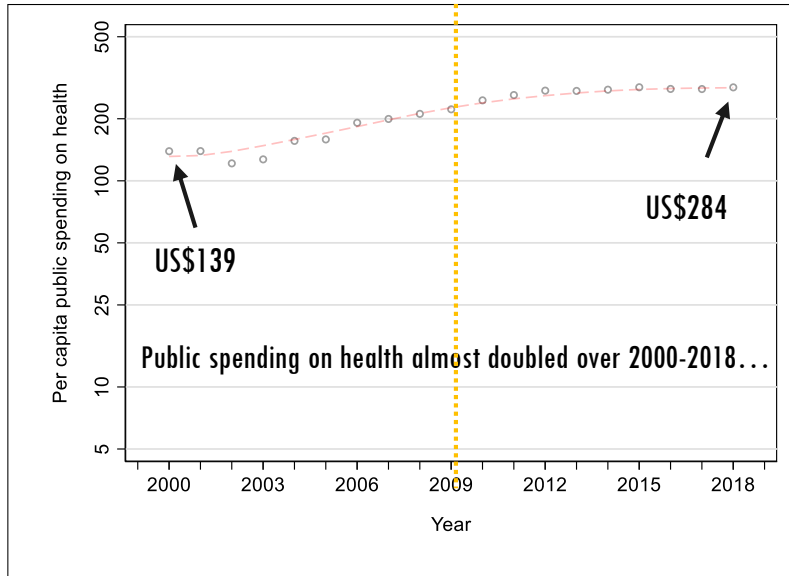
Annual growth rate 2009-2018 (%)



Decomposing changes in public spending on health... (2000-2018)



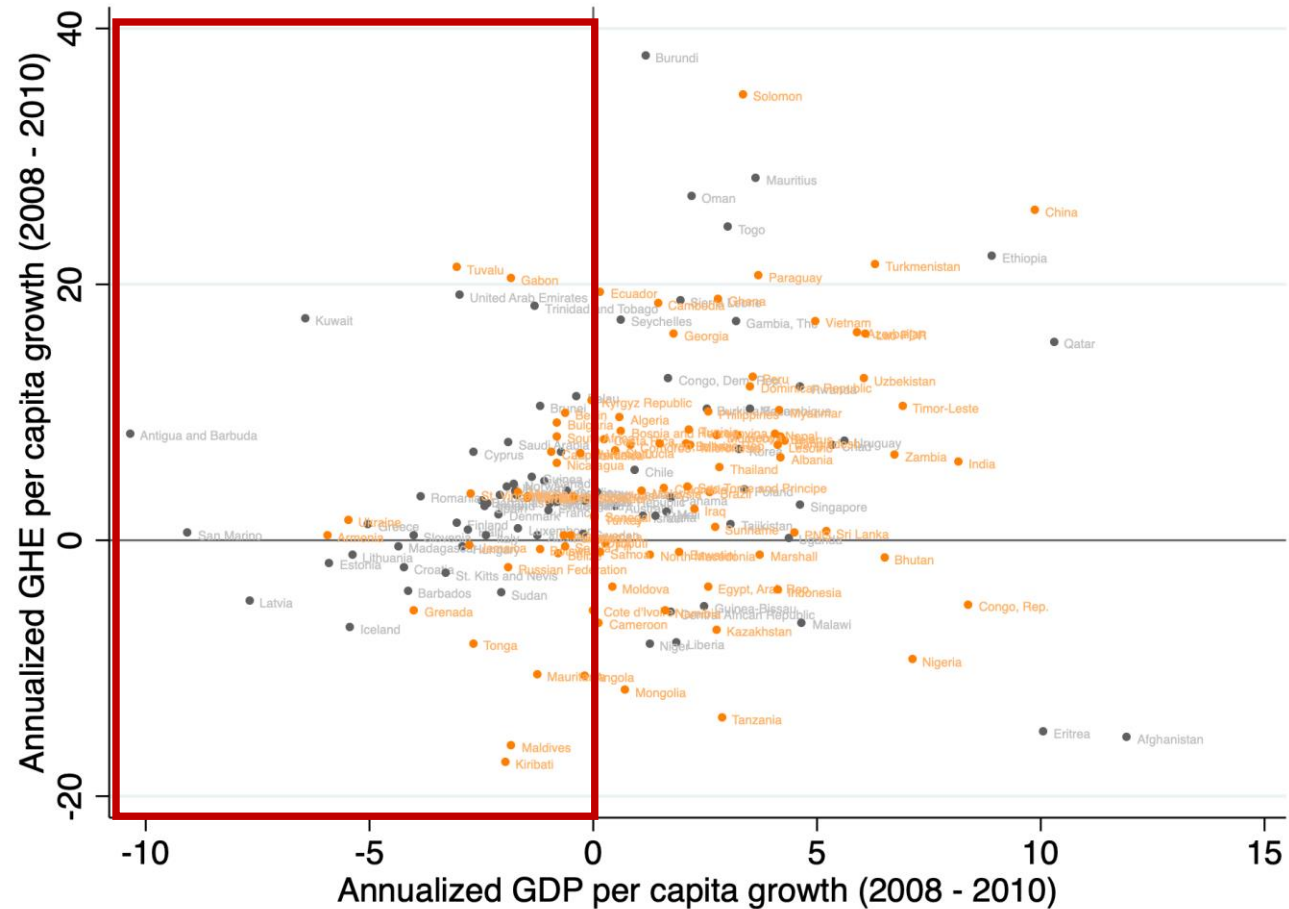
Prioritizing Health ... example of South Africa



Priority to health played key role, especially past decade (2009-2018): most important driver of recent increases in public spending for health

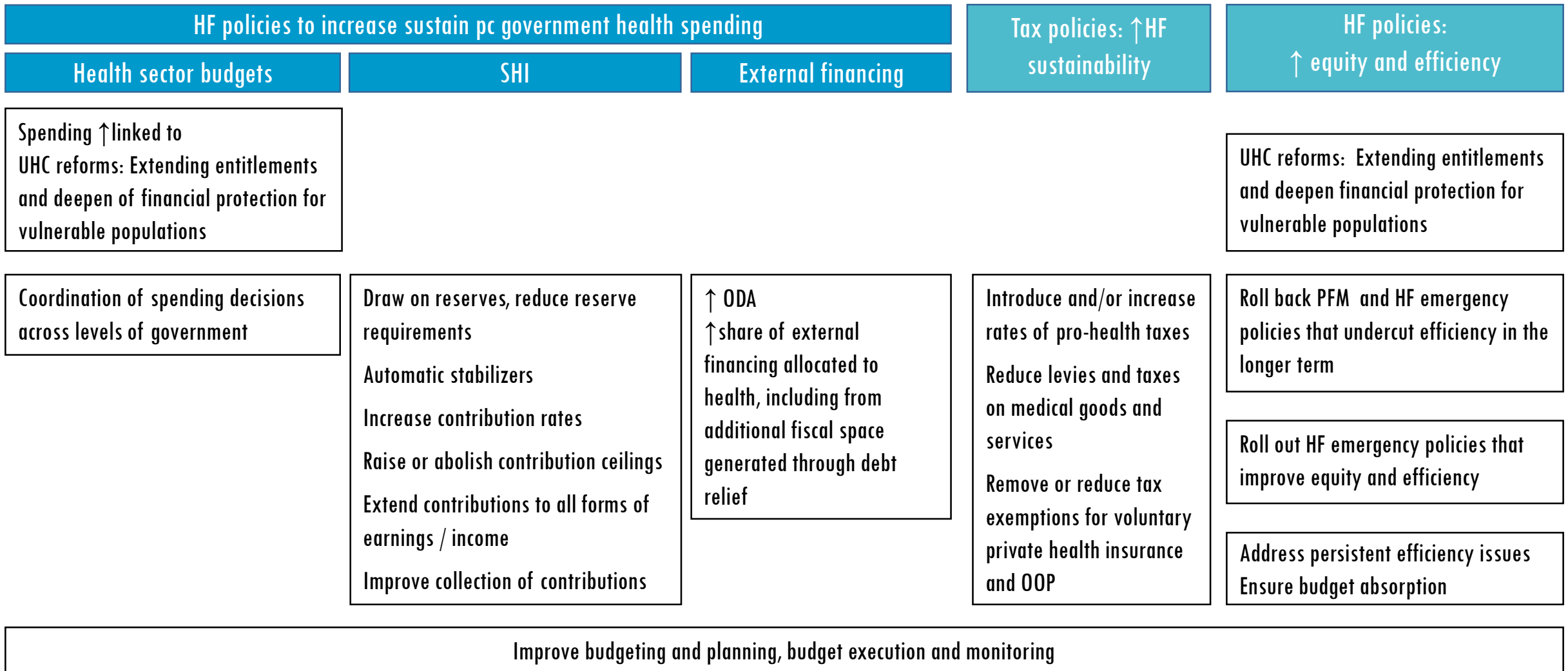
POLICY OPTIONS

Countries have a choice, even in times of economic contractions

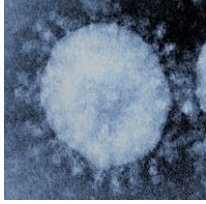


- ❖ On average, GHE pc falls when GDP per capita falls (procyclical), yet some countries increase GHE per capita despite falling GDP per capita.
- ❖ Countercyclical spending has been well-documented for HICs.
- ❖ During the global financial crisis, also MICs and LICs broke with the global trend.
- ❖ Among 29 MICs with negative pc GDP growth between 2008 and 2010, 18 increased per capita government health spending.

Policy options to sustain government per capita health spending/ lessons from previous economic crisis



What makes the COVID-19 crisis different?



Investment in health are critical for recovery not only in the long-term ...

... but also the short-term!



Conclusions

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"The idea is to not only grow our piece of the pie, but to expand into other nearby pastries."

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