1st Health Systems Joint Network Meeting for Latin America and the Carribean Bogotá, 7-8 July 2016

Synthesis Note

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1ST HEALTH SYSTEMS JOINT NETWORK MEETING FOR LATIN AMERICA AND THE CARIBBEAN

The financial sustainability of health systems - improving the dialogue

7-8 July 2016, Bogotá

Organised by the OECD, the Global Fund to Fight Aids, Tuberculosis and Malaria, the Pan-American Health Organization and the Colombian Ministry of Health

SYNTHESIS NOTE

Finding policies to make health spending more sustainable, whilst continuing to make progress in expanding the quality and coverage of health care, is perhaps the biggest challenge facing Latin American and Caribbean health systems today. Effective co-operation between health ministries, finance ministries and social security institutions is crucial – but typically insufficient. The 1st Health Systems Joint Network meeting for Latin America and the Caribbean brought together senior officials from health and finance ministries, and social security institutions, to discuss challenges in health system budgeting, and identify effective policies to ensure the financial sustainability of health systems.

Five critical themes were explored in depth:

- How are revenues for health care raised in Latin America and the Caribbean? How can these processes be made more equitable and efficient?
- How is health care expenditure formulated, approved and managed in countries' public budgets? Are the right considerations taken into account?
- How is execution of the allocated health system budget enabled and supervised? Why do many health systems struggle to spend their allocation?
- How can smart budgeting practices improve health system performance? What must health systems in Latin America and the Caribbean do to improve accountability and value?
- How does decentralization impact on effective health system budgeting? How can national and sub-national governments work together to strengthen the financial sustainability of health care?

This policy dialogue gathered about 70 participants from 15 countries in the LAC region (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Mexico, Panama,

Paraguay, Peru, and Uruguay), alongside invited experts and representation from international organizations (Global Fund, PAHO, and IDB). Participants were primarily high-level officials from health and finance ministries with a specific knowledge on health financing, with some representatives from social security institutions. Topics covered included the structure and governance of health system financing; budget formulation; budget execution; performance budgeting, reporting and monitoring; and the impacts of decentralisation in the health sector on the budgetary process. This policy dialogue between Finance and Health officials also served as the first major output of the OECD Latin American Health Systems Network.

The quality and depth of the discussions was encouraging – participants were keen to discuss and learn from other countries on their experiences in budgeting practices for health. Evaluations from participants emphasised the relevance of the meeting as a space for dialogue between the Ministries of Finance and the Ministries of Health. Participants also highlighted the quality of the interventions and discussion and the need to continue with the network in the following years.

Session 1: Opening session

Introductory remarks

This session set out the objectives of the meeting and pointed out some of the main health budget and financial issues for the region. In particular, country challenges to ensure respect to fiscal constraints whilst also achieving health policy objectives. One of the key points made was that achieving sustainable health systems requires investment as well as cost containment measures and revenue diversification, notably sufficient investment in health promotion and disease prevention.

Main panellists

- **Carmen Eugenia Davila**, Vice-Minister of Social Protection of Colombia
- **Ian Ford**, Senior Policy Analysis, OECD
- **Amalia del Riego Abreu**, Unit Chief Health Services and Access Pan-American Health Organisation
- **Carmen Gonzalez** Program Officer, The Global Fund to Fight Aids, Tuberculosis and Malaria

Session 2: Structure and governance of health system financing

Overview

Health financing systems vary greatly in Latin America and the Caribbean. Some countries rely more on a public system funded through government budget revenues, while others depend on social or mandatory health insurance schemes with private or public administrators. Voluntary private insurers also have a strong presence in the region, but the population covered through this system is very small and generally has high income levels. This session provided an overview of the structure and governance of health systems in LAC countries, presenting the main challenges and opportunities. Specific country examples delved deeper into the issues, including on the role of the private sector.

Main panellists

- **Cristian Herrera**, Head Division of Health Planning Ministry of Health of Chile
- **Leticia Zumar,** Macroeconomic and Financial Adviser, Ministry of Finance of Uruguay
- **Ana Maria Ruiz,** Policy Analyst OECD
- **Lorena Prieto**, Consultant OECD
- **Jessica Niño de Guzmán**, General Directorate of Public Budget, Ministry of Finance of Peru
- **Cedilia Akemi Kuroiwa**, General Director, Bureau for Planning, Budget and Modernization, Ministry of Health of Peru

Discussion – moderated by PAHO/WHO

Key messages

- Total health expenditure has increased in the LAC region in the last 10 years, with some countries now having spending levels that are similar to OECD member countries. However, public health expenditure remains below the OECD average and out-of-pocket expenditure remains high despite increases in health care coverage.

- One of the key characteristics of health systems in LAC countries is their fragmentation, both in terms of service delivery, and in terms of financing. Most LAC countries have multiple financial schemes in place, which can create challenges to coordinate, monitor and enhance efficiency in health systems. In particular, Guyana, Peru, Mexico and Chile, identified this feature as one of the main challenges in the health sector.

- The population covered by each of these schemes varies greatly across countries. In some countries, the public sector provides access to health care for the entire population; however, the coverage does not necessarily reflect the quality of the system, and some categories of people are also covered by other health financing schemes. The percentage of people not covered by any health system is relatively low in the region. However, the package of goods and services covered differ from country to country, and is usually not as comprehensive as in OECD member countries.

- Health care financing and provision in Chile is highly divided between the public and the private sector. The government is taking measures to increase efficiencies in the budget process and in the use of resources, particularly in the public sector (e.g. health technology assessment). There is a proposal to introduce reforms in the private sector aiming to increase regulation, have a common basket of services with the public sector, and start the process of risk equalisation. However, there is still debate on the overall vision, and reforms will take a couple of years to consolidate.

- Overcoming fragmentation and improving coordination is a key challenge to increase health expenditure efficiency and achieving a more equitable health system in the LAC region. Some

countries such as Uruguay have made important efforts to have a more integrated health system, where all sectors of the population can have equal access to a common basket of health services. In the process towards having an integrated national health system, Uruguay identifies two main challenges for fiscal sustainability: the rapid expansions of the basket of health services covered and the constant increase in human resources expenditure.

- A better alignment between resource allocations with government priorities using evidence base policies is a key step to improve public expenditure effectiveness. Peru has developed promising initiatives in this regard, improving programing and budgeting practices in the health sector. In 2007, Peru began implementing results-based budgeting (Presupuesto por Resultados−PPR), shifting the public sector towards a results-based management, which starts in the budgeting process and is sustained by the commitment to reach specific goals. Budget management has also advanced significantly towards maintaining an up-to-date and transparent record of public resources.
- Despite these improvements, some budgetary practices in Peru could be better aligned with OECD recommendations of good budgetary governance. In particular, the initial budget approved by Congress does not fully reflect how funds are going to be spent, but rather, which institution is responsible for deciding upon the allocation and monitoring of the funds during the budget year. Constant changes in the budget throughout the year makes planning, programing and budget execution difficult for regional and local governments, who are not always able to spend the total amount of resources allocated.

Session 3: Budget formulation – how is health included in the budget?

Overview

Due to the large amount of subsystems operating in the LAC region, health expenditure is not always fully included in the public budget. Furthermore, almost all countries have a separate budget for the social health insurance system. This session helped to understand the different ways in which health expenditure is managed in countries' budgeting processes. In particular, it helped to understand the complex interactions that take place during the budget formulation process for health and the different actors that play a key role in defining health expenditure levels and allocations.

Main panellists

- **Luz Merry Lasso**, Director of the Investment Formulation and Evaluation Department, Ministry of Health of Panama
- **Ines Gallegos**, Analyst from the Ministry of Finance of Ecuador
- **Gustavo Picado**, financial Manager of the Costa Rican Social Security Fund

Discussion – moderated by the OECD

Key messages

- The relationship between the social health insurance system budget and the central government budget varies from country to country. In some countries the budget for social health insurance is completely independent from the central budget for health, meaning that the central government does not provide resources to the social health insurance system. On the contrary, in other countries the social health insurance system is partially financed with resources from the public budget.

- In contrast with OECD countries, many countries in the LAC region are aiming to increase public health expenditure to reach universal health care coverage in the following years. As a consequence, along with ceilings to control health spending, some countries have minimum targets (floors) to ensure health spending increases.

- Since 2008, the Constitution of Ecuador considers free and non-discriminatory access to health care through the integrated public network. The Constitution also includes a minimum health expenditure target to ensure health spending increases (minimum increase of 0.5%, until reaching 4% of total health expenditure as a share of GDP). The budget for social health insurance is independent from the central budget process for health. However, there are some transfers from the central government to the budget of the social health insurance institutions.

- The budget for health in Panama is based on the presidential health objectives and the health sector strategic plan (2016-2025). However, in practice Panama follows a rather bottom-up approach during the budget formulation process. Expenditure projections are based on the expenditure unit's needs, and budget ceilings from the Ministry of Finance are constantly revised and adjusted during the budget formulation and approval.

- In contrast with other LAC countries, the social health insurance system in Costa Rica covers 95% of the population. It is mainly financed by contributions (80%), with only 11% of ordinary transfers from the central government. The Costa Rican Social Insurance Fund (Caja Costarricense de Seguridad Social) is an autonomous institution with financial independence. Some of the main characteristics of the social insurance budget process are: based on historic allocations, balanced budget requirements, no legislature approval required, large share of fixed costs, not direct link to performance, and gradual progress to improve linkage between planning, budget and results.

Session 4: Budget execution

Overview

Operational management issues in the health sector can create difficulties during the budget execution phase. The majority of LAC countries surveyed reported to have lower expenditure levels than the ones initially programmed in the budget. This session explored in more detail the causes behind this trend, as well as possible strategies to improve efficiency during the budget execution phase.

Main panellists

- **Carmen Eugenia Davila**, Vice-Minister of Social Protection of Colombia
- **Elisa Baez**, Technical Coordinator, Budget Office Ministry of Finance of Paraguay
- **Marta Viveros de Alfonzo**, Economic Directorate, Ministry of Public Health and Social Welfare of Paraguay

Discussion – moderated by the OECD

Key messages

- Improvements in the quality of information as well as monitoring and reporting are a key step to improve efficiency in health expenditure in the LAC region. Many countries have introduced automatic reporting of central government health expenditure, using electronic systems to have immediate online reporting. This allows having timely information to monitor and control health expenditure. However, health expenditure information from the social health insurance systems tends to have longer delays to be reported and in some cases is not available.

- In OECD member countries, budget overruns in health remain common and often lead to deficit or unplanned savings requests to spending units at the end of the year. This contrasts with experience in the LAC region, where countries tend to have lower expenditure levels than the ones initially programmed in the budget. Operational management issues in the health sector (e.g. excessive bureaucratic procedures, narrow definitions of spending categories, and strings attached to transfers within the health sector) are one of the main reasons behind these levels of under execution. Additional possible causes are weak health budgeting planning, over-optimistic projections, funds being released late, deficiencies in the planning phase, complexities and duration of procurement processes, and low supply of qualified human resources in certain regions.

- The health sector in Colombia went through a difficult financial situation between 2008 and 2010, mainly driven by medicines not covered in the basket of services (POS) ordered by judicial decisions, inefficient flow of resources, operation of financially unsustainable public hospitals, and weak accounting mechanisms. The government has undertaken major efforts to improve flow of resources, restore public finances and ensure sustainability in the long term. Some of the strategies to implement in the future are: reform the financial institutional framework, increase sources of revenues, and gatekeeping mechanisms for medicines.

- The health sector in Paraguay tends to have overdue balances that are carried over from one financial year to the next, without including this additional expenditure in the new budget. As a consequence, one of the main challenges for the health sector is to pay commitments from previous years without affecting allocations for the current budget year. In parallel, like other LAC countries, Paraguay tends to have lower expenditure levels than the ones initially

programmed in the budget (as low as 70% in 2013). This is mainly caused by lack of flexibility in the budget and long procurement processes, and in-year reductions of budget allocations due to an overestimation of tax revenues.

Session 5: Performance budgeting, reporting and monitoring

Overview

Performance budgeting, reporting and monitoring are key tools to ensure the fiscal sustainability of health systems. Many LAC countries have started to introduce performance budgeting in the health sector, shifting the attention from inputs and process towards healthcare outcomes and results. Despite the progress made, there is still space to improve the way performance information is used to inform budget allocation decisions. There have also been initiatives to introduce periodic reporting and monitoring systems. However, these practices tend to be applied only to health expenditure that is included in the central public budget. This session presented country experiences in performance budgeting, reporting and monitoring in the health sector, including how the System of Health Accounts can contribute to better monitoring of heath spending.

Main panellists

- **Maria Angelica Borges dos Santos,** Fundação Oswaldo Cruz, Ministry of Health of Brazil
- **Gilberto Baron**, Consultant Ministry of Health and Social Protection of Colombia
- **Esther Jodice**, Adviser Budget Evaluation Directorate, Minsitry of Finance of Argentina

Discussion – moderated by the IDB

Key messages

- Most LAC countries have made remarkable efforts to improve the timeliness of central government spending data. However, most countries still have scope to improve monitoring and reporting mechanisms for social health insurance schemes and subnational government's budgets.

- There tends to be very little information about expenditure of social health insurance institutions. Given the important contribution of such institutions alongside other health financing schemes, this limited information makes it difficult to have effective cross-cutting policies that ensure fiscal sustainability of the health system as a whole.

- One important trend in the LAC region is the increased use of performance budgeting tools. More and more often, countries have budget allocations based on results in the health care sector. Some countries such as Argentina reported that, even though they do not assign allocations based on results, the budget includes performance indicators for multiple budget programs for evaluation purposes. In that sense, evaluation becomes not only a step on the budget cycle but also an activity that supports and strengthens the budget formulation, programing and execution phases.

- Health accounts sits at the centre of health system analysis, offering a range of policy uses. At the broadest level, they allow effective cross-country benchmarking (because of a uniform methodology for measuring health spending). But they are also useful for showing trends in spending over time and disaggregation by component (e.g. spending on prevention vs inpatient care).

- Of direct relevance to this joint network, health accounts can help monitor financial sustainability. For example, tracking the diversification of revenue sources can assess the extent to which countries are reliant on payroll-based contributions (in the face of ageing populations), irrespective of the nature of financing scheme/s in a country.

- Brazil has an SNA-based Satellite Health Account series for 2000-2013 and an institutionalized health account in place. This has given a good understanding of many aspects of Brazilian health care system. However, there are still some information lags, especially on financing according to function and provider for each government level. Further developments include: SHA Health Accounts for Private Expenditure, full disease health accounts, further disaggregated accounts for individual states and municipalities, SHA semi- automated system integrated to national HIS framework.

- Colombia started an intense work on health accounts in the early 2000s. Recent developments have been compiled in a report, helping to understand the scale and composition of health expenditure. Since 3 years ago, the Ministry of Health started working with the National Administrative Department of Statistics to implement SHA in Colombia. Complete results are expected in early 2017.

- Some countries pointed out the challenge of analysing private health expenditure, relying on surveys that are only every few years at best (with interpolation in between).

Session 6: Decentralisation in the health sector and its impact on the budgetary process

Overview

LAC countries vary in the degree of decentralisation in the health sector, with increased decentralisation in some countries over time. Subnational governments have started to play a more important role in health financing and health provision. This session identified key challenges faced by national and subnational governments to coordinate efforts for achieving better health outcomes in a financially sustainable way. It also aims to identify good practices that could be implemented by countries that have, or are planning to have, more decentralised heath systems.

Main panellists

- **Gustavo Nicolás Kubli**, Economic Analysis Unit Ministry of Public Health Ministry of Mexico

- **Gloria Mirian Rubio**, Coordinator, Health Economic Unit, Ministry of Health of El Salvador

Moderated by PAHO/WHO

Key messages

- Decentralization of health care services and financing is one of the major challenges that many LAC countries have faced in the past years. Even within more decentralised systems, the type of influence exercised by central governments varies markedly.

- Regional inequalities are large in LAC countries and any successful decentralisation process must recognize and address these disparities. Capacity of assuming responsibilities at the subnational level is a major concern, especially in the health sector.

- Fragmentation and decentralisation in the health sector along with epidemiological transition are great challenges for the Mexican health system. In a decentralised context, the stewardship of health system requires managerial efforts and continues negotiation between the different public health systems. The decentralisation process also generated major challenges in managing human resources, creating different categories of health workers with great salary disparities.

- Since 1950, El Salvador has implemented different decentralization strategies, including the decentralization and recentralization of health care service provision. However, this process has never transformed the administration of health expenditure. A major challenge in the decentralization process is the lack of human resources capacity at the local level.

Session 7: Sustainability and Transition - Why? How? When?

Overview

For the Global Fund, transition includes transition from support altogether and to a decreased level of support due to improvements in income and/or disease burden. This session provided information on how the Global Fund aims to support sustainable responses for epidemic control and successful transition.

Main panellists

- **Geir Sølve Sande Lie**, Health Financing Specialist, The Global Fund to Fight Aids, Tuberculosis and Malaria

- **Maria Petro**, Health Economist, The Global Fund to Fight Aids, Tuberculosis and Malaria

Key messages

- A number of countries in the LAC region have transitioned from Global Fund support in the past, or are currently transitioning. Some key enabling factors in the transition are: positive and sustained economic strength, high levels of public spending on health relative to total government expenditure, well-developed NGO sector with legislation supporting publicly financing services provided by NGO's and existence of a long term disease strategy. Some other lessons learned are the need of government engagement, the essential role of civil society, the need for advocacy to change levels of political will to target key populations prior to and during transition, and the need of substantial planning and preparation for transition.

- Planning for sustainability and transition is important to protect gains made in the fight against the 3 diseases at country level and in the region, to continue to promote human rights based approaches to addressing the health needs of key populations, and to benefit all countries receiving Global Fund support regardless of how close they are to transition.

- The Global Fund has developed a health systems dashboard to support counties in preparations for the country dialogue, particularly how to negotiate Building Resilient and Sustainable Systems for Health (RSSH) strategic priorities and investments. The RSSH dashboard is a practical tool which compiles country-level data on: (i) the overall performance of priority health system components at the national level, (ii) performance of RSSH-related indicators in GF-supported grants, and (iii) data on financial tracking of RSSH investments provided by the Global Fund. The dashboard might be used for country dialogue, for identifying low- and high-performing components of the national health system and mapping the focus of the Global Fund's RSSH investments.

Conclusions and way forward

- There was great enthusiasm both from participants and funding international organization to take this work further. Countries liked the format and dialogue between the Ministry of Finance and the Ministry of Health and they are keen to keep financial sustainability as a core subject of discussion. Potentially, the meeting could start working as an annual regional policy dialogue.

- In light of the discussions held during the meeting, country representatives proposed to explore more deeply the following subjects in the future:

1. Performance budgeting
2. Budget cycle (problems and solutions)
3. Linking data on budgets and health expenditures (SHA) to health outputs and outcomes
4. Program budgeting
5. Human resources management
6. Capital budgeting and investments in infrastructure
7. Prevention
8. Decentralization and sub-national governance of health care financing

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