

V. FINANCING FUNCTION

1. WHR 2000

WHR 2000 (Chapter 5) analyzed health financing as one of the four principal functions of health systems. It categorized financing into the collection of funds, pooling of resources, and purchasing of services. It highlighted the advantages of health financing mechanisms that collect resources from a wide base, pool risk between the sick and the healthy and between rich and poor, and that allocate resources and purchase services strategically.

2. Main commentaries and criticisms

Overall, there was almost no direct criticism of the financing function part of WHR 2000. Nevertheless, references in some of the broader critiques of the report drew on several aspects of the financing function chapter.

The main criticisms relating to the chapter on the financing function were that the analysis was ideologically driven and not based on evidence. Some commentators viewed the framework as inherently biased towards increasing private sector involvement in insurance and health financing (Almeida et al. 2001; Oswaldo Cruz Foundation 2000; Navarro 2000; Navarro 2001a; Navarro 2001b; Häkkinen and Ollila 2000; Van der Stuyft and Unger 2000). Such critiques noted the attention given to the analytical separation of financing and purchasing, the high fairness-in-financing ranking of certain countries (such as Colombia) that have engaged in market-oriented reforms, as well as discussions of a role for private provision. These papers argued that the Report ignored evidence regarding problems with managed competition, private insurance, and other kinds of market-oriented reforms.

An opposing view was expressed by Helms (2000) who perceived the health financing approach taken in WHR 2000 to be inherently biased against private sector involvement. The author argued that if countries followed this approach to health financing they would dull incentives for progress in medical technology and health-service provision.

The response to these arguments of ideological bias towards either "market orientation" or "central planning" was summed up by Murray and Frenk (2001). They argue that the WHR was not advocating any particular policy stance, but rather calling for more systematic evidence in how health systems affect the final goals. According to them, WHR 2000 states "... there is no evidence that systems relying a great deal on public funding will necessarily be more efficient than systems with a greater degree of private sector

involvement, or vice versa. Whether this is seen as a Marxist or capitalist conclusion depends entirely on the ideology of the commentator and the motivations for their commentaries. We see it simply as a summary of the best available evidence at present.”

Another criticism was that the Report did not link the analysis of the financing function with health-system goals – and, in particular, with the fairness-in-financial-contribution goal (Walt and Mills 2001). This criticism was reiterated in the regional consultations and later discussions in which critiques of ideological bias gave way to discussions of how best to improve analysis and measurement of the function in order to generate an objective evidence base for policy advice.

In particular, WHO was requested to develop ways of measuring the effectiveness of different financing mechanisms towards achieving system goals (WHO Regional Office for the Americas 2001; WHO Regional Office for Europe 2001). Through such measurement, it would be possible to 'drill down' and understand why a particular country was performing well or poorly with regard to its health-system goals.

3. WHO responses and proposals

In order to deepen work in this area, WHO has initiated a series of technical papers to review the evidence on well performing financing functions as part of the development of a health financing policy. The technical papers are aimed at a policy audience and seek to synthesize existing evidence on high-priority topics for Member States such as the right amount of funding for health, minimum spending on health, user fees, community financing, and private insurance.

In parallel, WHO has developed a strategy for measuring and characterizing the health financing function with the aim of relating its effectiveness to the health system's intrinsic goals. WHO proposes to undertake pilot activities in a small set of countries in which both "core" variables and country-specific information would be collected and analyzed. This work will be undertaken jointly with national governments, policy makers, and local research institutions. The measures will also be submitted for expert review. As a result of this work, refined "core" variables will gradually be generalized for measurement in other countries.

4. SPRG comments and recommendations

These dimensions and a proposed set of potential variables were discussed with SPRG and are presented in Table 1. They were also discussed at an internal WHO consultation (in March 2002) that included staff from regional and country offices. There was general agreement that the chosen variables should be useful for measuring the function's performance in a variety of dimensions, and should control for important contextual factors. In broad terms, the measurements should help assess how well the system collects, pools, and allocates funds to service provision. This should enable better targeting of appropriate policy actions needed to improve the financing function. SPRG also recommended that WHO draw on the work of other agencies working in this area such as the OECD Health Project (Hurst and Jee-Hughes 2001; Hurst 2002).

In the course of these discussions, the following issues were raised.

- *Minimum threshold of funding for the health sector.* Can WHO provide guidance on what countries should minimally spend on health?
- *Cost of revenue collection.* Any measures of the financing function should include the costs of administering revenue collection because they are a measure of the effectiveness of the collection sub-function.
- *Uncovered population.* The proposed indicators do not appear to measure the number of people who do not belong to any pool, or who are eligible for free public services. This will depend on the definition adopted for "pool", and the kind of data from which the indicators will be derived. It was also noted that people covered by a public "safety net" are implicitly in a "pool". In any case, the indicators should include some measure to reflect this potential failure of a health-financing system.
- *Progressivity of financing.* The financing function is closely tied to the goal of fairness-in-financing. There is concern that the Fairness in Financing Index (FFI) is misleading because the formula can rank an extremely progressive system as being just as 'unfair' as a very regressive one.
- *Differences in benefit packages between pools.* The indicators need to address not only how many people are in the pools, but also what services are covered. When benefit packages differ, the implications for the effectiveness of the financing function will also differ.
- *Risk distribution among pools.* It was noted that the financing function will behave very differently depending on whether there are constraints to adverse selection or exclusion. How will these institutional features be incorporated in the indicators?

- *Overlapping pools.* The indicators will have to take into account the fact that in many countries pools overlap.
- *Payment mechanisms.* The final indicator was unclear. The purpose here will be to analyze how the incentives generated by payment mechanisms affect costs, as well as the amount, kinds and quality of health services provided.
- *Transparency and accountability.* It is important to find ways to measure the transparency and accountability of the financing function since these factors probably have a large impact on its effectiveness.
- *Sources of funds.* Measurements need to capture the wide range of sources for funds flowing into the health sector, including external aid which is significant in many low-income countries.
- *Indicators for research vs. policy guidance.* Questions were raised regarding whether these indicators are sufficiently "universal" to measure cross-country differences. The extent to which they are aimed at supporting research or monitoring policy also requires clarification.
- *Links with other work.* The financing indicators work needs to be well-coordinated with other work on FFC, provision, coverage, and responsiveness.

Recommendations

- WHO should continue to develop measurements of the health-financing function and address the concerns listed above.
- WHO should produce technical papers aimed at consolidating the evidence on the health-financing function and how it affects health-system performance.

5. References

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