

# 1

## *Sustainable Financing in the Broader Framework of Health System Reform*

Following an explanation of why the topic of health financing reform has gained prominence in southern Africa, this chapter summarizes the broad themes that emerged from the seminar’s module-based discussions (see chapter 2 for a detailed account of each module) and reflects on how each theme relates to international debate. The themes represent lessons the seminar participants had learned through their collective experience of implementing reform, and may be useful for future reform efforts in southern Africa and elsewhere in the developing world.

### **Health Financing Reform in Southern Africa**

Many countries worldwide are devising reforms intended to bring about fundamental and sustained change in their health sector policies, institutions, and implementation processes (see World Bank 1993, 1994). In the southern African region, as in other developing regions, a number of issues have stimulated reform (see Mogedal, Steen, and Mpelumbe 1995), for example:

- People are increasingly becoming aware (because of the spread of democratization) that quality health services need to be provided more efficiently and equitably to larger constituencies of people.
- Health services are being threatened by economic recession, which is leading to cutbacks in recurrent budgets and a decline in capital development.
- Demographic patterns and diseases are changing—urbanization, the emergence of HIV/AIDS, the resurgence of diseases like malaria and tuberculosis, and the rising incidence of noncommunicable diseases and diseases attributable to lifestyle—thereby placing different demands on health services than in the past.

In southern Africa, as in other parts of the developing world, health care planners who are interested in reform have to deal with various constraints. These constraints limit the impact of health services on health status, especially at the primary level, and include the following (see Cassels 1995; Zwi and Mills 1995):

- The inefficient distribution of scarce resources. Hospital care still consumes most expenditures, salaries absorb the bulk of recurrent costs, and urban areas get more resources than rural areas.

- Poor systems for budgeting, for disbursing, for purchasing, and for monitoring expenditures that have failed to achieve an equitable distribution of health care resources.
- Lack of access to health care for populations that are disadvantaged because of such factors as location, age, sex, poverty, unavailability of services, unemployment, and bad planning or management of services.
- Services that do not respond adequately to local needs. For example, the poor quality of many services leads to underutilization, unmotivated and poorly trained staff, long waiting periods, inconvenient clinic hours, inadequate drug supplies, lack of confidentiality, financial exploitation by the private sector, and no safeguards against dangerous treatments.

As all these constraints are caused in part by a scarcity of resources, health care planners have become preoccupied with reforms that secure more adequate financing for health care and ensure greater value for money. Yet while some documentation of developing countries' experience of different health financing reforms is emerging, the real impact of these reforms remains relatively unknown (see Gilson and Mills 1995; Janovsky and Cassels 1996; Kutzin 1995a; Shaw and Griffin 1995; World Bank 1993, 1994). Some reforms do not appear to have achieved their stated objectives. This is of increasing concern to international agencies and donors who actively promoted such reforms in the past, often based on their success in industrial countries. Such failures are obviously also of concern to southern African countries, many of which are in the early stages of implementing financing and/or more comprehensive reforms. This concern has led to an intense interest among these countries to learn from international experience with reforms, as well as to share and compare their own experiences within the region, particularly with regard to implementation. It is this interest that brought the participants together at the seminar.

### **Key Themes of the Seminar**

The seminar covered eight types of financing reforms that fall into one of two major categories of health financing reforms, namely: those that seek to increase the pool of available resources and those that aim to control costs and use resources more efficiently. Chapter 2 presents the discussions pertaining to each type of reform. The following paragraphs summarize the key themes that emerged during discussion and debate at the seminar. They cut across all the different types and categories of reform and help to locate health financing reform within the context of wider health sector reform. These themes relate closely to debates occurring in other parts of the world.

#### ***Financing Reform Should Be Seen as Part of a Reform Package***

Participants emphasized that financing reform is not an end in itself. Rather, financing mechanisms should be seen as the means to achieve and sustain fundamental health system goals such as equity, efficiency, and improved health status. When considering the sustainability of financing reforms, their impact on the sustainability of the health system as a whole should be taken into account. As each financing reform carries its own costs, advantages, and liabilities, each should fit into a broader framework of health sector development to ensure that it is appropriate for the needs and capacity of each country.

No financing reform is likely to be successfully implemented in isolation. Most reforms are related and must be undertaken in combination with other mechanisms. Some reforms are half-way stops on the road to other objectives. For example, user fees may be implemented as an initial or preparatory step to other cost-sharing schemes, such as prepayment or formal insurance schemes.

Likewise, financing reforms may be necessary, but are not sufficient for achieving broader health system goals. Indeed, financing reforms usually require larger changes in the organization and delivery of health systems and can have major effects on incentives and the quality of care. Thus even though decentralization may be fundamentally an organizational reform, it requires, and in turn influences, financing

reform. Similarly, the mechanisms aimed primarily at increasing resources for health, such as user fees and insurance, require organizational and institutional reform to be implemented successfully.

The combination of mechanisms used for reform and the approach adopted to address the health sector's deficiencies will vary in each country according to several internal factors. Seminar participants identified such factors as, among others, the overall vision of health service development; the existing sources of finance; the current management of finance; the range and type of service providers; and the prevailing economic conditions and other factors outside the health sector, such as rural development, literacy, the political system, and local-level organization (Kutzin 1995a).

An approach to determining what reforms are appropriate or desired was suggested at the seminar. It involves defining a strong vision for health sector development that is elaborated in a national health plan. The plan could use the following questions as a general guide:

- What facilities and services are available in the health sector?
- What is needed to achieve stated objectives?
- What do various interest groups want?
- What can individuals and society as a whole afford?

### *The Possible Negative Impacts of Financing Reforms on Equity Should Be Taken into Account*

The second point raised throughout the seminar was that equity and efficiency are often competing goals. While the intent of financing reforms may be to give the poorest members of society greater access to health services, poorly designed financing mechanisms can have negative effects on equity. For example, equity can be compromised if health financing reforms do not explicitly provide for poor or rural populations and/or if the quality of care is not improved, including improving the availability of drugs.

In some cases, even the intended efficiency gains of reforms can be compromised. For instance, efficiency gains are lost if the rich capture resources targeted toward the poor or if a reform fails to protect the poorest members of society from having to pay for health care.

Many of the discussions during the seminar emphasized the need to create a balance between increasing resources and making health care financially sustainable, and protecting access to health care, especially for the poorest segments of society. In particular, participants noted that reformers should take into account the potential impact of a reform on efficiency and equity prior to its implementation and should pay more attention to this than they have tended to do in the past. They cautioned that in this regard, they should distinguish between willingness to pay—a concept that has recently attracted a lot of interest—from poor households' ability to pay.

### *The Implementation Process Is Extremely Important for Achieving Successful Reform*

The third point that emerged was that even though a policy may be appropriate, it may never be implemented. Political, organizational, and institutional constraints may distort policy proposals, or even prevent their implementation in any form. Thus apart from developing appropriate policies in terms of content, planners should apply careful management strategies to the process of policy formulation and implementation. Such planning could include the following:

- Anticipating problems in, or resistance to, reform proposals and taking steps to deal with these before implementation
- Phasing the introduction of reforms to enable unforeseen problems to be identified and addressed before large-scale introduction
- Negotiating with, and marketing reform proposals to, all stakeholders (for example, other government departments, health care providers, communities, and donors) to help unite disparate interests behind the proposals and lessen opposition at the time of implementation

- Using a systematic approach to reform implementation that recognizes the need to develop the required skills and systems, such as management and administrative skills, information systems, financial tracking and disbursement systems, assessment and monitoring skills, and regulatory frameworks, and to effect organizational and institutional change
- Clarifying the objectives of reform to facilitate the evaluation of the reform process (even clarifying the definitions of terms such as decentralization is essential to planning, implementing, and subsequently evaluating objectives).

### *Ease of Implementation*

Table 1.1 shows the kinds of reforms that are relatively easy to implement. In general, the less radical or complex a reform program is, the easier it is to implement. The seminar discussed how a phased approach to implementation may improve the likelihood of success. A phased approach enables unforeseen problems to be corrected as they arise and allows time to develop broad public support as well as the support of

#### **Box 1.1. Framework for Planning and Evaluating Health Financing Policy**

##### 1. Context of reform

- Pre-existing health finance institutions, financial flows, and incentives
- Epidemiological and demographic profile and service utilization patterns
- Macroeconomic and other extrasectoral conditions
- Systems for policymaking, policy analysis, and use of information
- Initial assessment and major perceived problems in the health sector

##### 2. Type of reform

- Description of the specific reforms being implemented
- Intended changes in health finance institutions, financial flows, and incentives
- Description of other relevant reforms being implemented
- Expectation of how the reforms will address identified health sector problems

##### 3. Process of implementation

- Description of the actual process of reform implementation
- New health finance institutions, financial flows, and incentives
- New systems for policymaking, policy analysis, and use of information

##### 4. Assessment of the effects of reforms

- Equity
- Efficiency
- Sustainability
- Acceptability

##### 5. Policy feedback

- Systems and processes for transmitting evaluation information to policymakers
- Integration of evaluation into the policymaking process

##### 6. Synthesis of conditions with consequences for the effects of reform

- The financing reforms
- Other health policies
- Institutional conditions
- Managerial capacity in the health sector
- Extrasectoral factors

Source: Kutzin (1995b).

**Table 1.1. Characteristics of a Policy Affecting Its Implementation**

<i>Less problematic</i>	<i>More problematic</i>
Simple technical features	Complex technical features
Marginal change from status quo	Comprehensive change from status quo
One-actor target	Multi-actor target
One-goal objective	Multigoal objective
Clearly stated goals	Ambiguous or unclear goals
Short duration	Long duration

Source: Cleaves (1980).

specific interest groups. It also allows time for the development of relevant skills and systems to support the reform. However, to achieve real change, implementing radical reforms may sometimes be necessary (Mogedal, Steen, and Mpelumbe 1995).

### A Framework for Planning and Evaluating Health Financing Reform

The participants generally agreed that health financing reforms are complex, their impacts are not fully understood, and their mode of implementation is crucial in determining their success or failure. While this sentiment led some participants to caution against overhasty reform measures, it also emphasized the need to plan thoroughly for both policy formulation and implementation, with planners, wherever possible, learning from other countries' experience, especially other southern African countries.

While no one framework is likely to capture all the elements that require scrutiny and strategic planning, box 1.1 reproduces a useful approach to planning and evaluating health financing policy. Many of the elements summarized in the box featured prominently in the reports and recommendations of the seminar's working groups.

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