



Economic Development Institute
of The World Bank

Sustainable Health Care Financing in Southern Africa

*Papers from an EDI Health
Policy Seminar Held in
Johannesburg, South Africa,
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Foreword

This publication contains papers presented at a senior policy seminar held in Johannesburg, South Africa, in June 1996, and summarizes the proceedings. Participants included delegations from the southern African countries of Angola, Botswana, Lesotho, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. The Center for Health Policy, University of Witwatersrand, South Africa; the World Health Organization's Regional Office for Africa; and the Economic Development Institute of the World Bank jointly sponsored the seminar.

The purpose of the seminar was to examine two facets of sustainable health care financing. On the one hand, participants discussed ways to raise additional revenues for health, including the "do's" and "don'ts" of user fees, experience with prepaid risk-sharing mechanisms in rural areas, formal health insurance, and improved modes of public-private collaboration. On the other hand, they concentrated on ways to use available resources more effectively to extract more value for the money. Topics included orienting public health resources toward primary health care, improving control of and accountability for district financing, improving hospital efficiency through cost containment and contracting out, and making more effective use of donor funding.

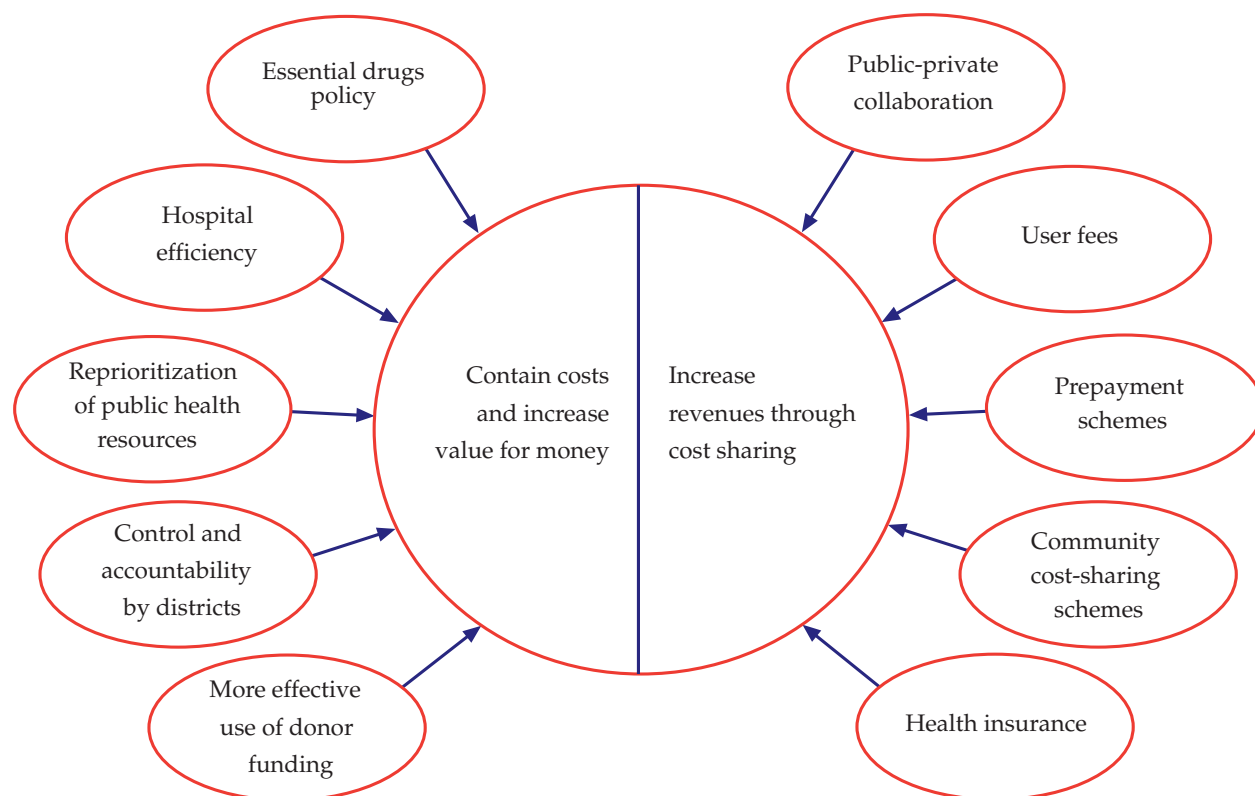
By widely disseminating the seminar's proceedings, the Economic Development Institute and its partners seek to contribute to the knowledge base on health care reform and financing issues in the low- and middle-income countries of Africa and elsewhere. By presenting the original papers, as prepared and submitted by the participants, this publication honors the collaborative spirit of the seminar whereby policymakers from different countries shared their experiences and lessons learned in search of their common goal, to improve the health and well-being of their populations.

Vinod Thomas
Director
Economic Development Institute

Preface

The topics discussed at the seminar fall into two broad categories, namely, those concerned with ways to increase the pool of available resources and those that examine how to control costs and use resources more efficiently. These two dimensions are depicted in figure 1.

Figure 1. Mechanisms for Reforming Health Financing Systems



An emphasis both on increasing revenues and on obtaining more value for money through cost sharing suggests the need to adopt a more balanced approach toward sustainable financing reform than the literature generally subscribes to. This dual emphasis is becoming increasingly important to health planners because the availability of more funds for health does not necessarily translate into better health care outcomes.

New sources of funding, just like old sources of funding, can be wasted and inefficiently used. Thus sustainable health financing reform requires action on both fronts.

To illustrate the importance of obtaining more value for money, one need only consider the legacy of drug procurement, prescription, and use in many African countries. One study (World Bank 1994) concluded that of every US\$100 of public money spent on drugs in Africa, clients only used about US\$13 worth of drugs effectively. The same study laments the inefficient use of public funds, one-third to one-half of which often go to tertiary-level hospitals in urban areas and have little direct impact on the spread of preventable communicable diseases or the dismal health conditions of the poor in predominantly rural areas. Development experts tend to agree that in most African countries, donor funding could be coordinated and used more effectively, especially given that many donor programs are neither in synchrony with one another nor with government planning cycles.

However, increasing revenues takes on immense significance in southern Africa, because governments' capacities to raise revenues through income and sales taxes tend to be limited and often unstable. In most countries limited capacity to raise revenues through income taxes is associated not only with high levels of poverty, but also with high levels of self-employment in farming and the nonformal sector, where tax collection mechanisms are weak or nonexistent. Moreover, when revenues from sales taxes and import or export duties fluctuate—depending, for example, on good or bad harvests—governments also find that maintaining revenue collections and honoring budgetary commitments to ministries, including ministries of health, is extremely difficult. These factors have stimulated widespread discussion about alternative forms of cost sharing for better health in Africa.

The advantages of cost sharing as a possible solution to the shortage of resources can quickly evaporate, however, if the authorities do not take care to implement reforms in a way that ensures the health system's overall sustainability. For example, poorly designed reforms can have a negative effect on societal goals such as equity, worsening the plight of those communities most in need. Likewise, clients or patients are unlikely to support reforms such as user fees or prepaid community health insurance schemes unless they feel they are receiving better quality care in return. Fortunately, Africa is gaining experience in managing dilemmas such as these that can be shared across countries in the region.

While a seminar of only five days duration cannot treat all the above issues in sufficient depth, the papers, presentations, and discussions assembled here touch both sides of the challenge, often bringing unique country experiences to bear or underscoring key issues and concerns that merit further policy analysis and discussion. This publication is therefore intended to serve as a benchmark of understanding and concerns on which to build future analysis, training, and action.

Part I of this publication consists of two chapters. The first chapter places different health financing policies in the broader context of health sector reform and presents the key themes that emerged from the seminar. The bibliography at the end of the chapter includes useful material from the current literature for further reading. The second chapter synthesizes the material and discussions presented at the seminar by topic.

Parts II and III reproduce the overview and country papers that international experts and country representatives presented. Note, however, that some of the information in these papers may have changed in the intervening months since the seminar.

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Executive Summary

A five-day seminar on sustainable health care financing held in Johannesburg, South Africa, in June 1996 brought together senior policymakers from 10 southern African countries. The seminar was jointly organized by the Economic Development Institute of the World Bank, the Regional Office for Africa of the World Health Organization, and the Center for Health Policy of the University of Witwatersrand in Johannesburg. The participating countries were Angola, Botswana, Lesotho, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

Approximately 80 participants attended the seminar, including 23 senior policymakers from national health departments or ministries of health, 7 senior policymakers from national finance departments or ministries of finance, 11 representatives of major nonprofit private health care organizations, and 22 representatives of international agencies and donor organizations (see appendix 1).

The seminar's objectives were to

- Review options, initiatives, and models for sustaining financial resources and improving efficiency that countries in the region are currently implementing or considering
- Identify successful approaches toward and bottlenecks inherent in assuring effective implementation of sustainable financing initiatives
- Examine the equity and poverty implications of different financing strategies
- Identify research priorities, policy analysis, and training needs required to improve national capacities to mobilize sustainable resources for health.

Eight financing reform topics pertinent to initiatives being undertaken within southern Africa were discussed during the seminar, namely:

- User fees
- Prepayment schemes
- Health insurance schemes
- Public-private collaboration
- Reprioritization of resources for primary health care
- District control and accountability
- Hospital efficiency
- Effective donor funding.

These topics fall into two broad categories of health financing reform, namely, reforms that seek to increase the pool of available resources and those that aim to control costs and use resources more efficiently. The financing aspects of drug policy reforms were not discussed during the seminar because of

limited time and the highly specific and detailed nature of such reforms. Similarly, the detailed aspects of resource planning were not addressed in a systematic manner.

The main lessons that emerged from the seminar were as follows:

- Financing reforms are closely intertwined with one another and with other types of reforms, and should not be seen as ends in themselves. Financing reform should be concerned with the sustainability of the health system as a whole.
- Some financing reforms could have a negative effect on societal goals such as equity if designed or implemented without these goals clearly in mind.
- The process through which financing reforms are implemented is crucial to their success.
- Sustainable financing of health care is not solely about raising more money for health. It is equally concerned with getting more value for money from existing funds.
- Different ways of raising more revenues for health often have varying impacts on efficiency and equity within a national health care system.

With regard to these lessons, the seminar concluded that

- As health financing reform is extremely complex, careful strategic planning during the policy formulation and implementation stages is required to increase the likelihood of success.
- National health and finance departments and ministries must communicate with each other about the planning and implementation of new reforms.
- The sharing of experiences and lessons learned with other countries, especially within the same region, is valuable when planning reform.
- Joint planning and collaboration with the private voluntary and private for profit sector is important, because health financing reforms have a systemwide impact.
- Planners and day-to-day decisionmakers in the region would benefit from more in-depth training in the implementation of health financing options.

The seminar demonstrated that the southern African region possesses a growing body of expertise in the area of health care financing. A priority of all the participating countries was to learn more about how to implement reforms successfully. The international agencies and donors participating in the seminar have a role to play in helping southern African countries access international and regional expertise on the implementation of reforms in health care financing.