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HOW CAN ASIA PROGRESS IN HEALTH FINANCING AND INSURANCE?

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1. Inclusive growth and poverty reduction requires better health protection of poor people in low-and-middle income countries, in particular in Asia and the Pacific. Health of poor people is vital to poverty reduction. Denied access to effective health care services and lack of financial protection of poor people due to overall low health spending and high out-of-pocket expenditure is a major bottleneck of MDG achievement all over Asia and the Pacific. Developing countries in Asia will be in better position to face the challenges associated with rapid aging of population given successful achievement of MDGs.
2. The progress on health Millennium Development Goals (MDGs) to reduce child mortality, improve maternal health and combat HIV/AIDS and other diseases has not been at pace to achieve its targets. The progress on child mortality lags behind all MDGs and off-track in all regions. The progress on maternal health is better. The maternal mortality target can be achieved in Asia and the Pacific given faster economic growth, significant additional funding, strengthened health systems and targeted spending (WB, 2004). Asia and the Pacific has relatively low prevalence of HIV/AIDS, but large numbers of infected people. However, the number of HIV/AIDS infected people is on the rise in East and Central Asia. The detection rates of tuberculosis have increased but progress has been slower than expected. Meanwhile, the progress of other MDGs covering poverty, access to water and sanitation, primary education and gender are on track for most countries (World Bank, 2007).
3. The Asia and the Pacific region has the second worst progress on health MDGs after Sub-Saharan Africa among regions. There are significant variations within the region. South Asia is the most troubling as it has the second highest maternal and child mortality rates and the highest malnutrition rate in the world.
4. The health MDGs are currently off-target in Asia and the Pacific because of the lack of access and insufficient use of effective health interventions by its poor people. Asia and the Pacific is a home to two-thirds of the world's poor¹ and has at least 60% of poor people lacking access to health services in developing countries worldwide (UNDP, 1997).

¹ About 700 million poor people live in Asia

5. The current health financing is not acceptable if we want to improve access and use of health services by poor in Asia and the Pacific. Low amount of money spent on health and the way it is raised makes people of Asia poorer and more ill. One of the main reasons poor people are denied access to effective health services in Asia and the Pacific is overall low level of health spending. It is not only one of the poorer regions with per capita income ranging from 737 USD in South Asia to 1387 USD in East Asia and the Pacific, but also has the lowest spending on health ranging from 21 USD in South Asia to 46 USD in East Asia and the Pacific, which is equivalent to 3-4% of GDP (World Bank, 2006a).

6. Asia and the Pacific has the highest out-of-pocket expenditure as share of total health expenditure in the world ranging from 40% in Western Pacific region to 70% in South East Asian region (ILO, 2007). The health related out-of-pocket expenditure impoverishes about 100 million people each year worldwide (WHO, 2004). It is the most undesirable source of funding as it impoverishes and denies access to health care of poor. An absence of decent risk pooling is a serious problem for Asia and the Pacific.

7. Health financing and insurance policies need to focus on increasing health spending and risk pooling to improve financial protection and access to essential care of poor in Asia and the Pacific. However, it is not easy. It is widely recognized for various reasons that social health insurance has limited potential to be significant source of funding in most low income countries. Despite additional value, a community-based insurance can not play significant role in raising prepaid revenue. Therefore, most low income countries tend to rely on government revenue as a source to increase health funding and prepayment level. But there are various capacity and governance limitations to raise government revenue in low income countries. There is evidence that share of public expenditure and growing share of risk pooling through taxes and social health insurance is directly linked with economic development of countries (ILO, 2007). Asia and the Pacific has the lowest government revenue as a percentage of GDP at 16.6% and the lowest social security taxes as a percentage of GDP at 0.5% (World Bank, 2006a). Notwithstanding these general arguments against revenue collection and risk pooling in low-and-middle income countries, each country should do its best to ensure financial protection of poor. The knowledge of ways to transform money into efficient and effective care for poor is necessary but it is not sufficient. Health leadership and capacity-building are important preconditions for successful implementation of pro-poor health financing reforms. There is no "universal" recipe to succeed, each country needs to find its own "path" to universal health coverage depending on its social, economic and political traits.

8. Given constraints to improve health protection through taxes and social health insurance, it is apparent that an external funding should play important role for Asia and the Pacific to achieve MDGs. There are encouraging news about increasing foreign aid to global health from private donors, global health partnerships and new innovative health financing facilities. The new International Finance Facility for Immunization, with its innovative use of capital market financing model, and UNITAID, raising funds from direct national taxes on airline tickets, are already making difference. Official development assistance and other official flows for health globally has increased from an average 6.7 billion USD in 1997-1999 to 9.3 billion USD in 2002 (World Bank, 2006a). However, the current foreign aid to health is far below the needed foreign assistance to achieve health MDGs despite the fact that donor funding on health has doubled in real terms since MDGs were adopted. It is estimated that additional foreign aid of 20-25 billion USD per year is needed globally to achieve health MDGs on time given government policies and reforms are conducive to poverty reduction (World Bank, 2002). New innovative financing

mechanisms to raise foreign aid for health through capital market financing models and new taxes have great potential to fill the current financing needs gap to achieve MDGs. Total ODA to developing countries can achieve 200 billion USD per year, if all OECD countries fulfill their ODA pledge to 0.7% of its GDP (WHO, 2001). There is hope that Asia and the Pacific shall receive development assistance at needed level given capital market financing models or new taxes are effective in bringing developed countries closer to their promise. Notwithstanding the importance of higher health spending and foreign aid in the region, we should learn more on getting better results with less money from countries such as Sri-Lanka, which is providing good quality of care and high access, including the poor, with 3% of GDP dedicated to the health sector.

9. Asia and the Pacific faces a formidable challenge to tackle policy issues related with aging of its population. Over the next 50 years, the number of elderly men and women in Asia will be more than triple (East West Centre, 2002). Population aging presents challenges in health financing and delivery of care, not only for developed, but also for countries with lower economic development. A prospect of rising health care costs and slowing economic growth associated with aging in context of developing countries still with high prevalence of childhood and maternal diseases can seriously undermine health protection not only of poor elderly but also of its younger generation. Asian developing countries should get ready for aging its population by successfully solving its current health issues.

10. Asian Development Bank (ADB) plays a significant role in improving health of many poor people in Asia and the Pacific and I hope it will in future. Many countries in Asia and the Pacific rely on ADB for development assistance to improve health situation in their country, including Mongolia. Our region needs more attention from an international community with its relatively poor health and high poverty, when many international organizations such as WHO and others putting high priority on Sub-Saharan Africa. Sub-Saharan Africa is understandably a top priority for many donors but Asian countries need foreign assistance not less than Sub-Saharan Africa. Asian Development Bank is vital to ensure financial protection of poor in Asia and the Pacific. It is important to note that despite recent influx of additional funds into global health, we are still short of funding needs to achieve MDGs.

11. Asia and the Pacific along with international donors need to address constraints of aid effectiveness to achieve MDGs. There are issues of verticality, unpredictability, crowding out effects of government resources from public health, corruption and absorptive capacity that may diminish aid effectiveness in health sector (World Bank, 2006b). Each country should organize its foreign assistance depending on how effectively it avoids aid impediments. An ability to manage aid effectively should be a factor in decision to give assistance for specific health program or for health systems strengthening, or whether foreign aid should be vertical or integrated with government health funds. For countries with better ability to manage aid effectively, it is likely that aid effectiveness shall be higher when aid is integrated and aims to strengthen health systems, and vice versa.

12. In summary, there are many areas where health financing and insurance in Asia and the Pacific should progress to achieve MDGs. A lack of financial protection and denied access to effective health interventions due to overall low health spending and high out-of-pocket expenditure is a major bottleneck of MDG achievement all over Asia and the Pacific. Health financing and insurance policies should focus on increasing health spending through increasing foreign aid and risk pooling to improve financial protection and access to essential care of poor in Asia and the Pacific. Asian Development Bank can play an important role in ensuring financial protection of poor people, particularly in Asia

and the Pacific. Asian developing countries should get ready for aging of its population by successfully solving its current health issues.

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