Using Evidence to Shape Health Financing: Building a Health Financing Strategy from the Ground up in Malawi

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Outline of the Presentation

- Background
- Process
- Results
- Lessons and Conclusions
- Recommendations

Background

International Guidance

- WHO recommends that health financing strategies be "home grown“ or developed with extensive local stakeholder involvement (WHO, 2010)
- Sambo et al, 2011(among others) recommend that countries use evidence-based information to develop health financing policies and strategies

Common Missteps in HF Strategy Development

- Using insufficient evidence in the situational analysis
- Neglecting to do a situational analysis
- Neglecting to consult stakeholders (including the general population) to vet and gain buy in for strategy initiatives
- Relying on strategy implementation to generate evidence
- Borrowing initiatives from other countries without fully considering context

Why is the Malawi Health Financing Reform Unique?

- Team of government officials and development partner staff worked together to clearly define the approach to strategy development
  - Formed a Health Financing Taskforce within the Finance Management and Procurement Technical Working Group
  - SSDI-Systems, CHAI and WHO led the provision of TA
- Relied heavily on evidence generation and use
  - Used a multiple step process to identify and assess potential health financing initiatives
- Used a consultative, iterative process to discuss evidence and feasibility of potential options

Process: 3 Phases

Phase 1:
Situational Analysis

- What are the key challenges and potential solutions?
- Conducted a Situational Analysis to:
  - identify core challenges
  - inform health financing strategy objectives
  - Identify potential solutions
- Key Methods and data sources:
  - *Key Informant interviews with major institutional stakeholders and community representatives, focus group discussions*
  - *National Health Accounts studies (covering period 2001-2012), Household Health Expenditure and Utilization Surveys (2000, 2005, 2010), Integrated Household Surveys (2005, 2011), Malawi Demographic Health Surveys (2000, 2004, 2010) etc.*

Core Challenges and Strategy Objectives

Situational Analysis

Core challenges	Core objectives
1. Insufficient and unpredictable financial resources	Develop sustainable and predictable sources of revenue to adequately address Malawi's health sector needs
2. Inequitable and inefficient resource allocation	Improve efficiency and equity in how financial resources are allocated, managed, liquidated and used
3. Insufficient capacity to generate evidence on health financing and capacity to use tools/frameworks for health financing analysis at all levels	Strengthen capacity to generate evidence on health financing function and use of tools/frameworks for health financing analysis at all levels

Core Challenge #1 - Insufficient and Unpredictable Financial Resources

Challenges

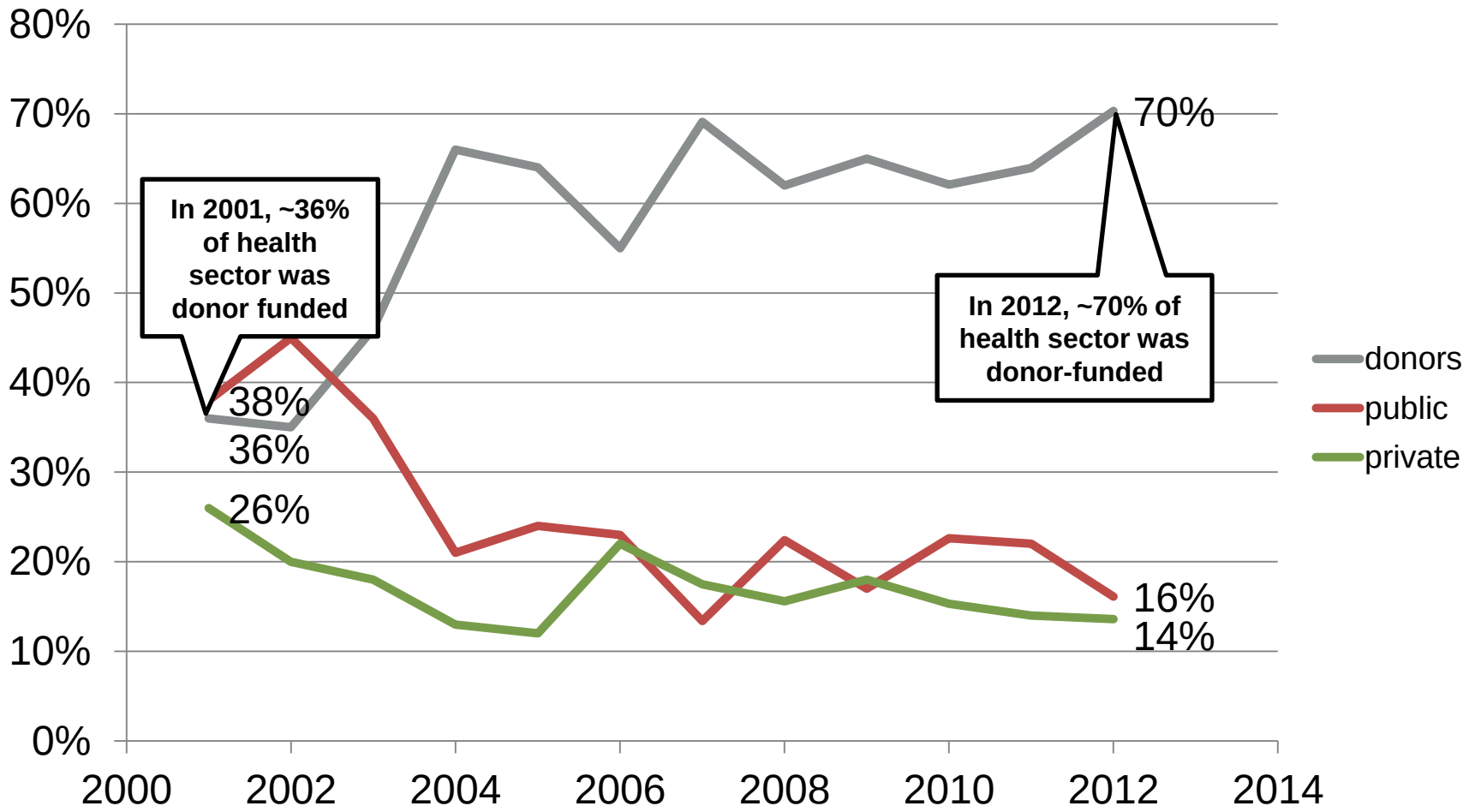
- Insufficient and volatile government resource availability for health
  - Insufficient internal resource mobilization

2011/2012	Malawi 2012	WHO/ AFRO 2012	SADC 2012
Total health expenditure per capita per annum	$39.3	$157.2	$141
Government health expenditure per capita per annum	$6.3	$92.1	$147
Govt. expenditure on health as % of total govt. expenditure	6.2%	10.6%	11%

Consequences

- Overreliance on donors for health funding
  - Donors contribute over 60% of total actual health spending
  - Frequent interruptions/ stoppages in donor funding
- Gap between estimated costs for the Malawi EHP and resources available in the next two years is >$1.4 billion (MK5.4 billion)

Source of Financial Resources 2001-2012



Core Challenge #1: Identified Potential Solutions

- Introduce reciprocal visa fee for incoming travelers
- Introduce tax on alcohol and cigarette consumption
- Introduce fuel levy for health
- Strengthen paying wings in central and district hospitals, gradually expand optional paying services, and move towards introduction/expansion of user fees at district and central hospitals for non-EHP services
- Institute corporate tax for health
- Institute telecommunication airtime levy
- Introduce Trust Funds
- Increase private sector investments in health
- Lobby Ministry of Finance to meet Abuja target of 15% allocation to the health sector as a share of total government expenditure

Core Challenge #2: Inequitable and Inefficient Resource Allocation

Challenges

- Despite SWAp, there is heavy fragmentation of health services programming – about 250 organizations working in health sector funded by donors
- Despite defining an EHP, all services continue to be financed and provided in public health facilities
- Despite developing a resource allocation formula and increased efforts to improve financial management, inefficiency and inequity in resource allocation and utilization continues

Consequences

- Serious challenges in coordination resulting in duplication of efforts and wastage of resources
- Resources are spread thinly across disease areas –leading to funding gaps in critical areas
    - Drug stock outs, limited medical supplies, debilitated infrastructure, etc.
- Resources not necessarily allocated to regions/districts that demonstrate the greatest need; wastage/ leakages in the use of the limited resources

Core Challenge #2: Identified Potential Solutions

- Align more donor resources directly toward government implementation plans at central, zonal and district levels
- Re- allocate donor-funded in-service training resources to other areas of need
- Reprioritize and recost the EHP; identify mechanisms for paying for non-EHP services
- Introduce strategic purchasing mechanisms
- Separate district hospitals' and health centers' budgets; pilot health centers as cost centers
- Review resource allocation formulas and enforce their use
- Strengthen PPPs to make efficient use of resources
- Decongest central hospitals by introducing bypass fees
- Improve efficiency of public sector supply chain
- Strengthen financial management capacity at all levels of the health system

Core Challenge #3: Inadequate Health Financing Capacity

Challenges

- Insufficient financial management, oversight, and recording systems, tools/framework for generating evidence
- Inadequate staff capacity in finance, strategic planning, and M&E and resource tracking tools at central and district levels

Consequences

- Inadequate comprehensive understanding of funding needs and gaps
- Unable to track resources and plan strategically (based on evidence) and allocate resources accordingly
- Difficult to present strong business case to the MoF and donors for additional funding

Core Challenge #3: Identified Potential Solutions

- Use resource tracking mechanisms (NHA, Resource Mapping, etc.) and M&E tools to identify resource gaps and areas of surplus
- Analyze burden of disease and cost-effectiveness of interventions
- Build stakeholders' capacity to use resource tracking tools and economic evaluation methods (cost effectiveness analysis, cost benefit analysis, etc.)

Phase 2: Evaluate Proposed Solutions

- Which solutions will deliver the most significant results?
- Evaluated proposed solutions using criteria:
  - Financial magnitude
  - Feasibility and sustainability
  - Equity and access
  - Transparency and accountability

Evaluation Criteria

1. Financial Magnitude

- What is the projected amount of revenue or savings?
- Would this amount increase or decrease over time?

2. Feasibility & Sustainability

- Is there sufficient political will?
- Do adequate systems exist for implementation?
- Once implemented, is it sustainable?

3. Equity & Access

- How does it affect access to care?
- Does the option adversely affect poorer populations or certain demographics?

4. Transparency & Accountability

- Will the option reduce opportunities for wastage/corruption?
- Will it increase donor confidence?
- Will it increase information flows?

Evaluation Tools

• Key informant interviews, focus group discussions, questionnaires	• Process mapping, financial & economic modelling
• Secondary literature review	• Lessons learned from other countries

Example Evaluation for Objective 1: Develop Sustainable and Predictable Sources of Revenue

Option	Financial Magnitude	Feasibility & Sustainability	Equity & Access	Transparency & Accountability	Prioritized? Yes or No
Fuel levy	• Little to no administrative cost Revenue: • 2013/14: $40 mill. • 2020/21: $188 mill.	• High inflation, unstable fuel supply, and current high fuel prices present challenges • Multiple levies are already in place for fuel	• Increased fuel prices could result in reduced income levels, inflation, and decreased demand	• Excise already exists so no additional infrastructure or reporting systems necessary	Yes
Trust fund	• Will not generate much revenue by itself • If used in conjunction with a visa fee, revenue of $5.2 mill. per year by 2016/17 • 5% operational cost	• Government and donors may hesitate to provide initial capitalisation - takes years to generate significant returns	• No adverse effects • Returns used to ensure continuous funding for critical health services	• Accumulation of reserves creates potential for misuse of funds • Strong institutional checks are needed	No

Example Evaluation for Objective 2: Improve Efficiency in Financial Resource Allocation, Management and Use

Option	Financial Magnitude	Feasibility & Sustainability	Equity & Access	Transparency & Accountability	Prioritized? Yes or No
Pilot establishment of health centers as cost centers	• No quantifiable financial gains	• Establishing rural hospitals as cost centers is feasible. They were cost centers prior to 1998 • MOF is implementing a similar approach for primary schools	• Improvements in efficiency and resource utilization could increase performance and access to and quality of health services	• Direct transfers to health centers and rural hospitals would lead to improved transparency and accountability	No
Improve efficiency of supply chain system in the public health sector	• Integration of parallel supply chains into CMST could save $11.2m per year • Levels of cost savings will depend on efficiency at CMST	• Reincorporating supply chain management into the national CMST system would greatly increase sustainability of Malawi's drug distribution system	• Would promote patient access in the long-term • Risk of stock-outs as parallel supply chains are merged into CMST	• Corruption was a concern in the past when CMST was housed under MOH • Donors will closely monitor the drug stocks to ensure appropriate use	Yes

Phase 3:
Develop Health Financing Strategy

Draft document	*The Health Financing Task Force (team of MOH, MOF, and dev. partners) drafted the strategy using evidence from analysis and stakeholder priorities*
Conduct consultations	*Fine tune strategy through consultations with stakeholders - MoH Senior Management, SWAp Review, Health Sector TWGs, MoF, Health Financing Summits, Policy Café debates, media, communities*
Gain approval	*Present final draft to Cabinet for approval*

Health Financing Summit 2014

Conclusions

Recommendations

- Define a systematic approach to strategy development before beginning the process
  - helps to clarify processes and identify pathways for stakeholder engagement
- Use a team-approach, including government and key partners, to developing the health financing strategy
  - Provides built-in consultation mechanisms; helps to identify context-appropriate home-grown options
  - Leverages technical strengths and financial resources of development partners
- Use evidence to highlight feasibility and sustainability of proposed health financing options
  - powerful and objective way of compelling policy makers to make sound and bold decisions
- Identify and use avenues for stakeholder consultation
  - Can help to fill the information gap and strengthen buy-in for strategy implementation

Thank you

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