Health Financing Functions

Risk Pooling

Dr. Elaine Baruwa
Port-au-Prince, Haiti, April 28, 2015

Abt Associates Inc.
In collaboration with:
Avenir Health | Broad Branch Associates | Development Alternatives Inc. (DAI) | Johns Hopkins Bloomberg School of Public Health (JHSPH) |
Results for Development Institute (R4D) | RTI International | Training Resources Group, Inc. (TRG)

Presentation Outline

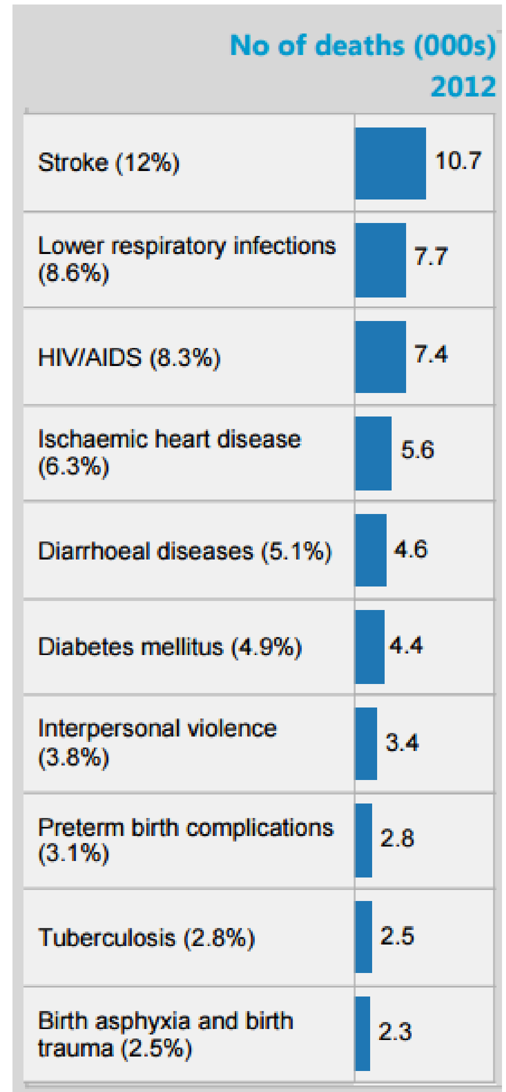
- Definition of risk pooling in the context of health finance
- Advantages
- Types of pooling mechanisms
- Global consensus
- Pooling situation in Haiti
- Options

Definition of Risks:
Top ten causes of death in Haiti

- Risk is the probability of loss occurring.

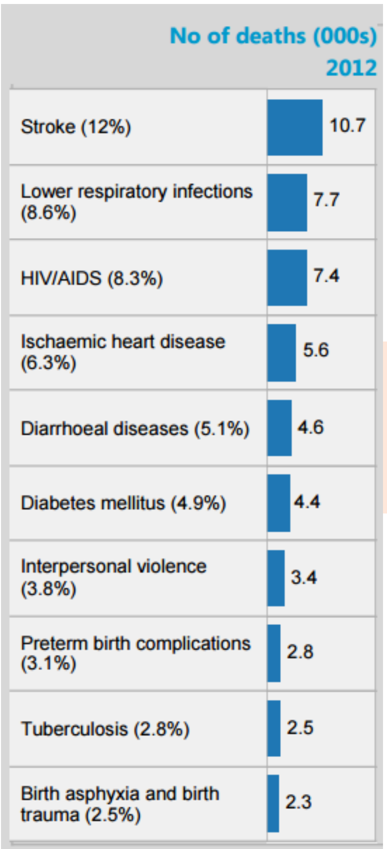
- For example, assuming the that WHO Data from 2012 is constant, what is the probability of someone dying from a stroke?

- What is the probability of someone dying of a lower respiratory infection?

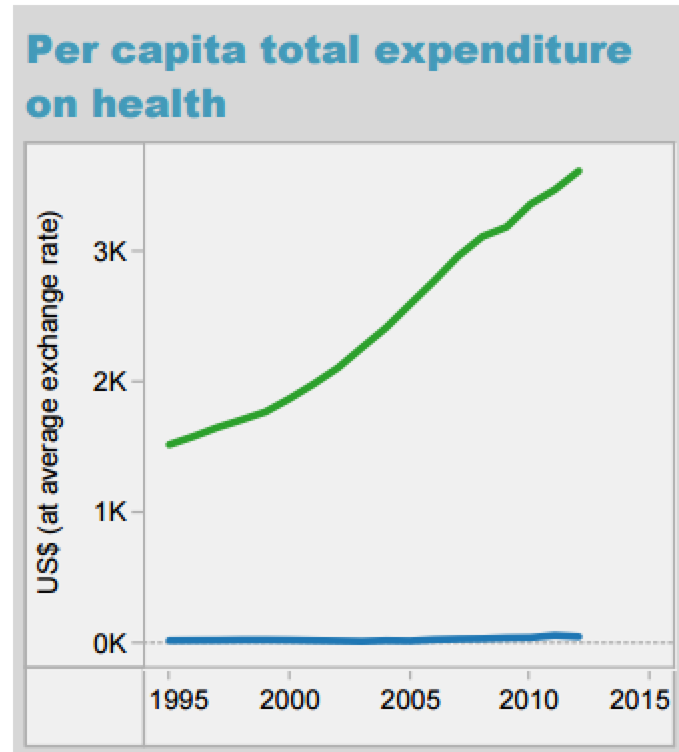


Source: Haiti: WHO Statistical Profile 2013

Risks: Losses both human and financial



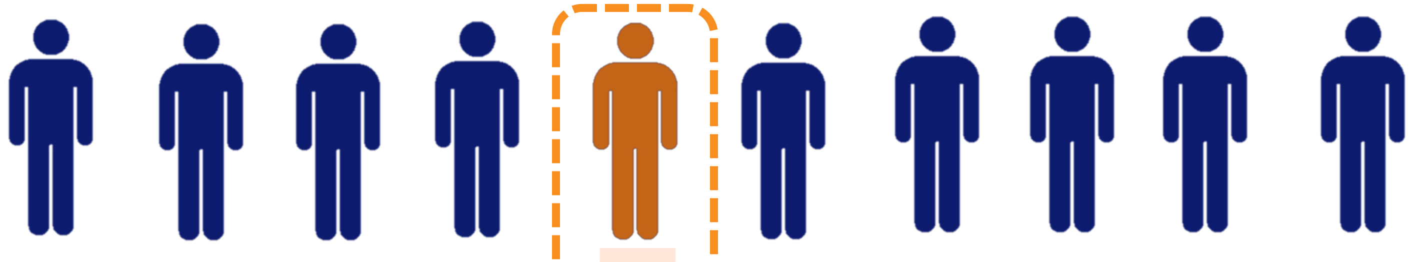
Health risks have an associated cost



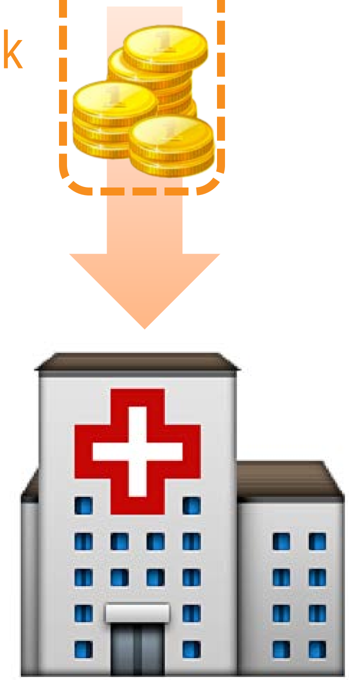
Source: Haiti: WHO Statistical Profile 2013

Without Risk Pooling

Let’s say we have 10 people. 1 person becomes ill during the year.



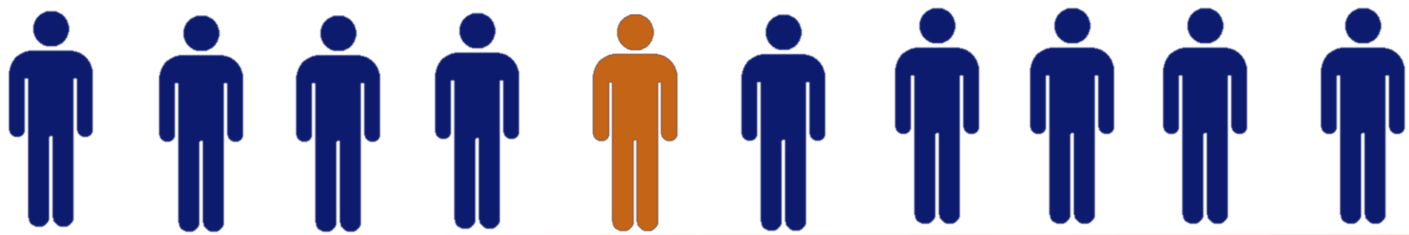
This 1 person will bear the full risk of paying for his or her care →



What happens if this person is low-income?

With Risk Pooling

When someone falls ill…



Everyone pools their resources together before anyone falls ill

The care is paid for from
the pool of money

Formal definition of risk pooling

- **Pooling** is the health system function whereby collected health revenues are transferred to purchasing organizations.

  - Pooling ensures that the risk related to financing health interventions is borne by all the members of the pool and not by each contributor individually.
  - Its main purpose is to share the financial risk associated with health interventions for which there is uncertain need.

Implications of pooling on equity and efficiency

Equity:

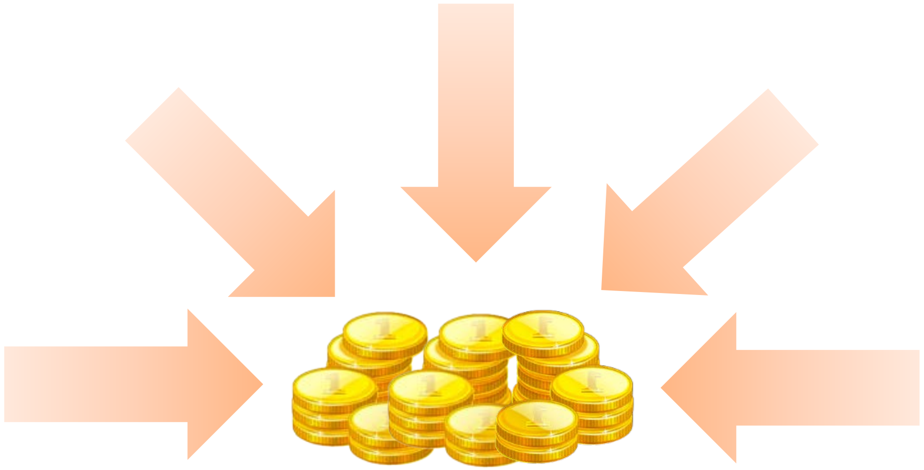
- Society does not consider it to be fair that individuals should assume all the risk associated with their health care expenditure needs.
- Cross-subsidy may pose political challenges

Efficiency:

- Depending on structure, risk pooling can reduce administrative costs or increase administrative burden
- Can lead to major improvements in population health, can increase productivity, and reduces uncertainty associated with health care expenditure

Source: Peter C. Smith and Sophie N. Witter: Risk Pooling in Health Care Financing: The implication for health systems performance, HPN Discussion Paper, World Bank, 2004

Risk Pooling Mechanisms

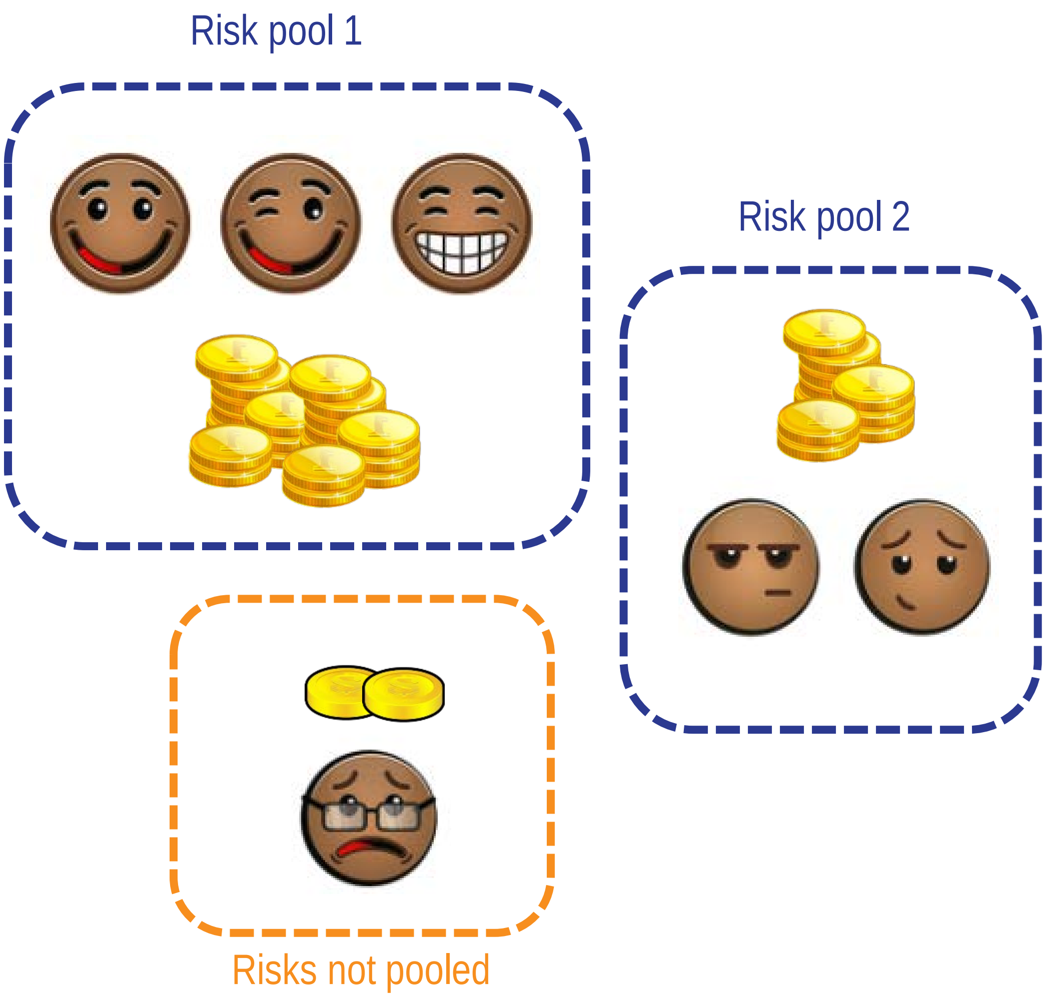


- Government revenues
- National insurance systems
- Social health insurance systems
- Community based insurance systems
- Private health insurance

Fragmentation

- Fragmentation refers to the existence of a large number of separate funding mechanisms (e.g. many small insurance schemes) and a wide range of health-care providers paid from different funding pools.

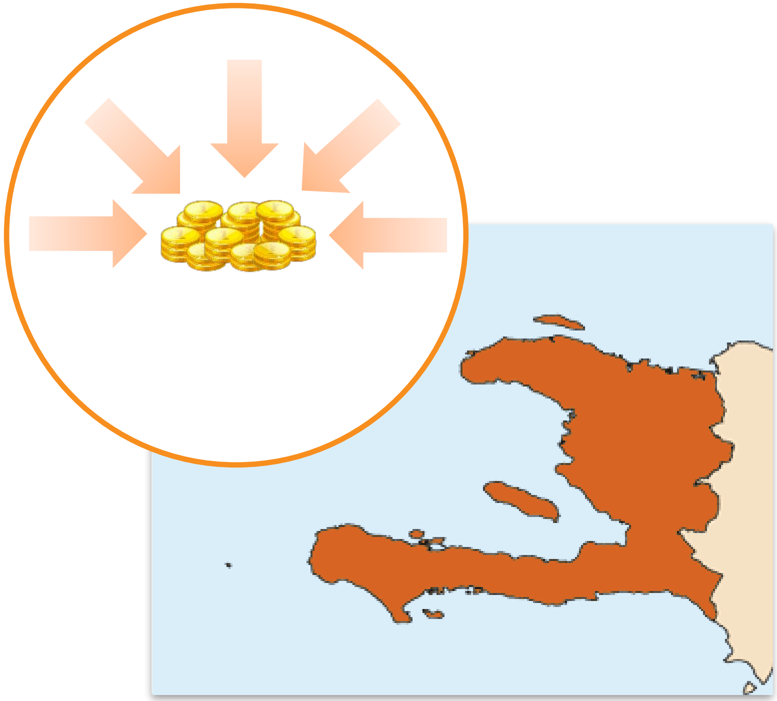
- Inefficiencies lead to greater costs
- Hinders redistribution of prepaid funds
- Limits the ability to cross-subsidize
- Want more pre-payment -- not more prepayment schemes



Source: Joe Kutzin, Presentation to Regional Forum on Health Care Financing, Phnom Penh, Cambodia 2012 WHO

Global consensus

- Not a clean sheet situation → build on the existing:
  - Existing health financing system
  - Existing service delivery arrangements and utilization patterns
  - Fiscal and policy context
  - Past health system achievements and strengths on which you can draw
- Objective: More pre-payment -- not more prepayment schemes



Global Consensus

- Context matters
  - Much harder for poor countries with large informal sectors to raise tax revenues
  - Scope for raising more revenues through income or payroll tax limited
- Priorities matter
  - Given a country's fiscal capacity, a higher (or lower) share that government devotes to health can make a big difference
- Policy matters
  - Variation around the trend suggests there is more to it than just spending levels; how you organize your health financing arrangements is important

Haiti's health financing landscape

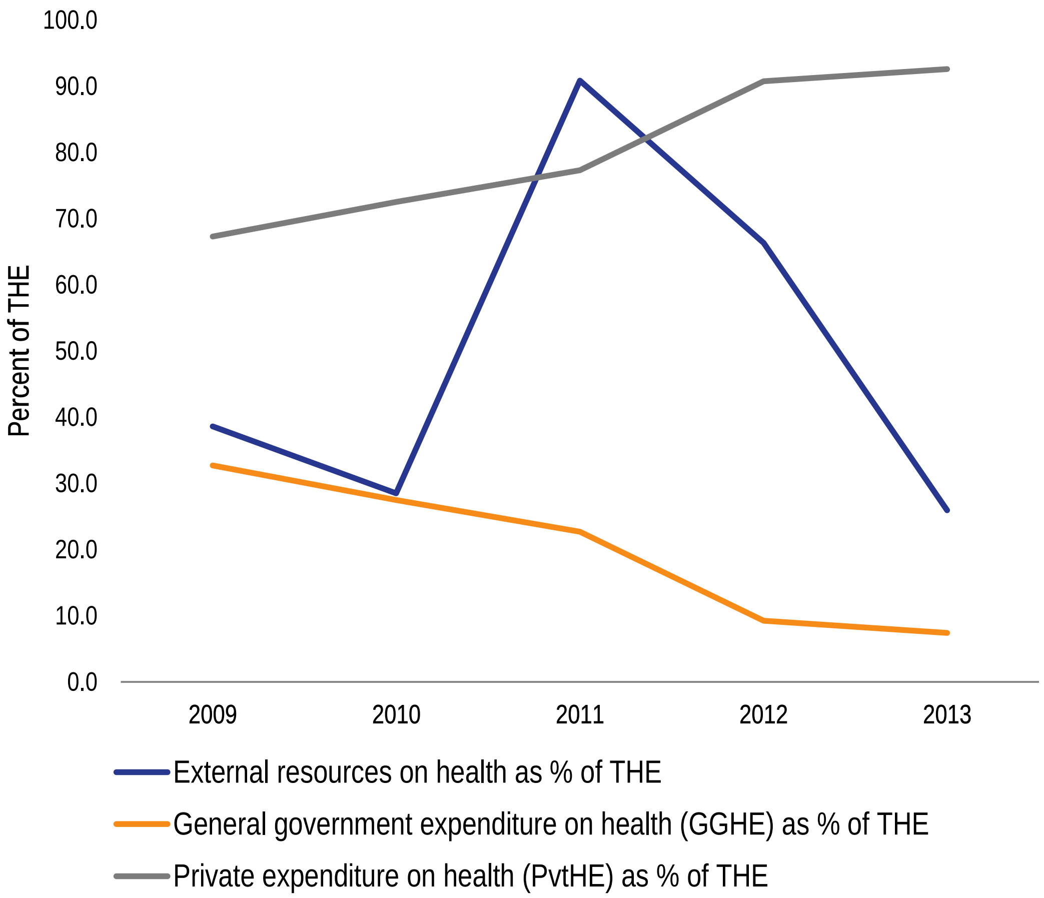
1. Government and external resources' contributions are declining.

2. Private expenditure on health as % of THE is increasing.

3. High fragmentation:
   - Little or no pooling
   - Limited insurance mechanisms

4. External financing is not pooled and does not go through national systems

Total Health Expenditure (THE) by source of financing (2009 – 2013)



Source: World Bank

Options

- National Health Insurance initiative
- National Fund (FONASSA)

- Better coordination of external funding;
  - Communication
  - Collaboration
  - Coordination

Thank you

www.hfgproject.org

Abt Associates Inc.
In collaboration with:
Avenir Health | Broad Branch Associates | Development Alternatives Inc. (DAI) | Johns Hopkins Bloomberg School of Public Health (JHSPH) | Results for Development Institute (R4D) | RTI International | Training Resources Group, Inc. (TRG)