

# Benefits of health accounts for PERs, MTEFs and other World Bank analytic work

Experiences from Sri Lanka, Indonesia,  
Bangladesh and Kyrgyz Republic

# Relevance of NHA to PERs

- Purpose of PERs:
  - To analyze the optimality of current public expenditures in maximizing public welfare given a context of public and private health spending
  - Relevant information must include a profile of current public and private expenditures, focusing on what these are for, and for whom
- Relevance of NHAs:
  - Information resource that systematically profiles actual expenditure flows from both public and private sources, by actual use and distribution of spending

## Examples

	<b>NHA capacity</b>	<b>Activities</b>
Sri Lanka	Strong	PER
Indonesia	Weak	PER
Bangladesh	Strong	PER, MTBF
Kyrgyz	None	SWAP, MTBF

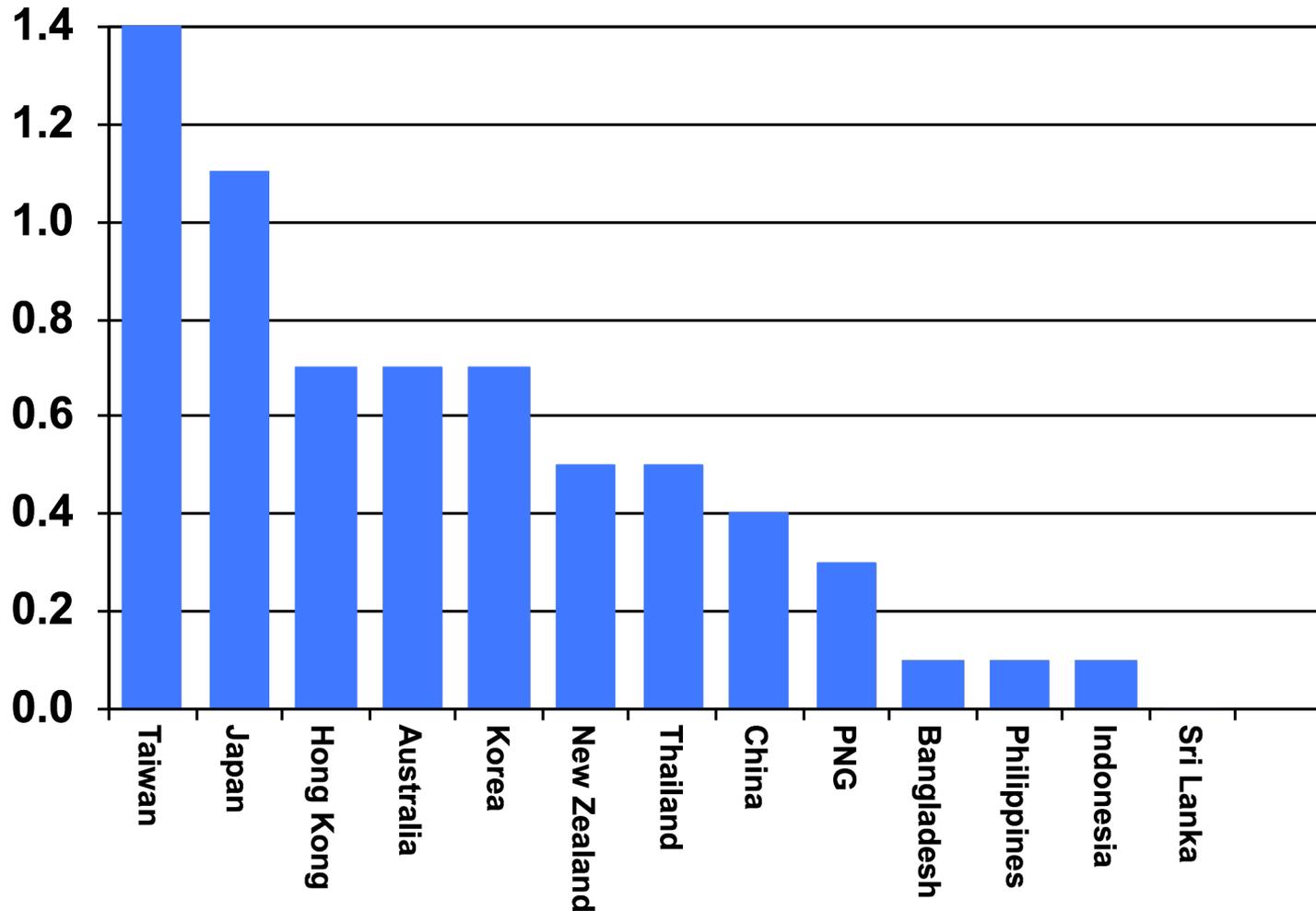
# Sri Lanka Health PER 2004

- Sri Lanka Health Accounts
  - Initiated 1998, published from 2001
  - Locally produced, meeting OECD SHA standard
  - Highlighted decline in preventive spending (HC5) from 12% to 6% from 1990-1999
- Sri Lanka health PER 2004
  - Part of overall PER examining all sectors
  - Q1: Are preventive health expenditures too low?
  - Q2: Transparency of budget formulation process

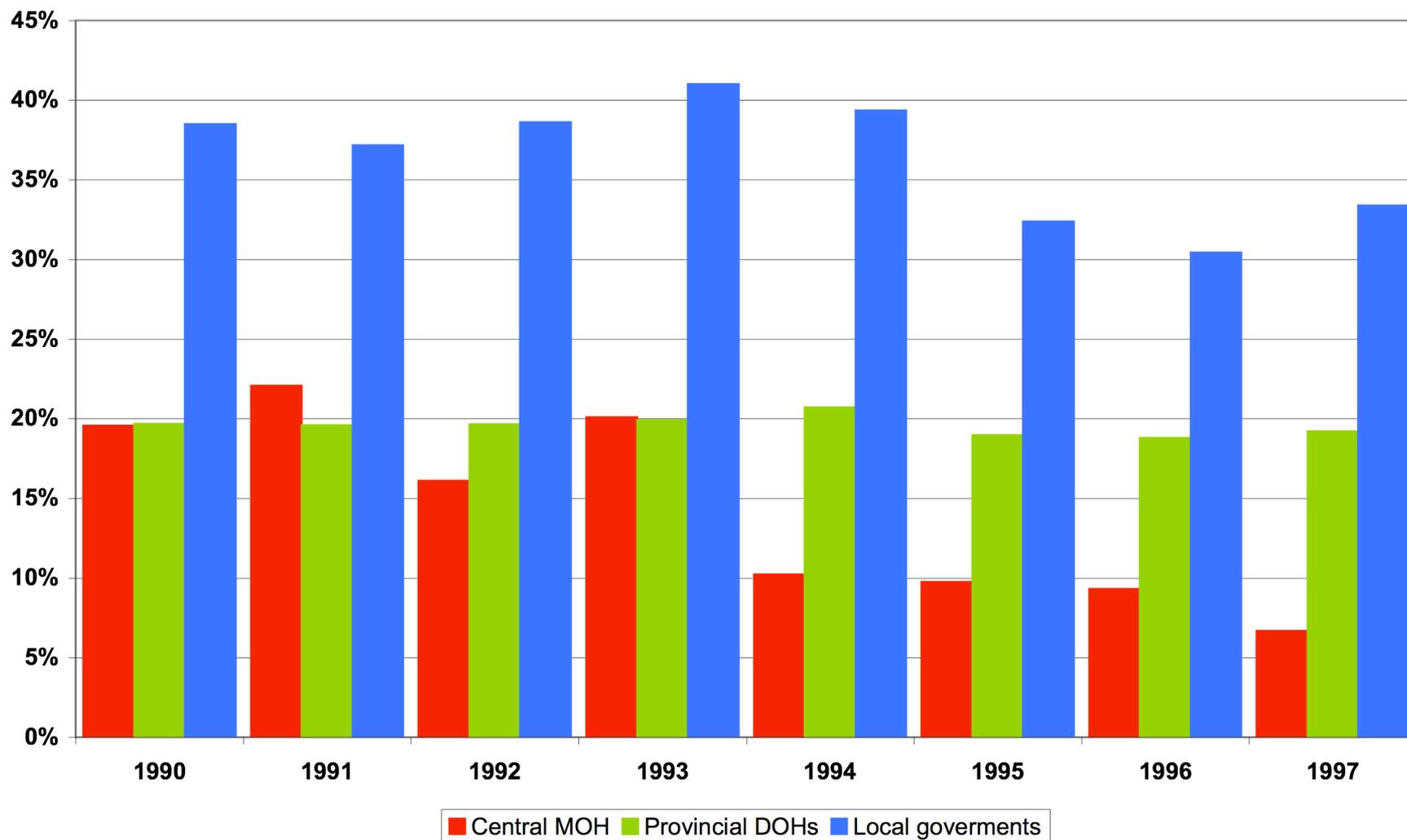
# Sri Lanka Health PER 2004

- Analyses done
  - Adequacy of aggregate level of public expenditure for health
    - In relation to sectoral problems
    - Benchmarked against other countries with SHA estimates
  - NHA process informed analysis of financial reporting systems with decentralization
  - BIA examined targeting of different components of public spending
  - Decomposition of changes in preventive spending
  - Review of cost projections based on NHA

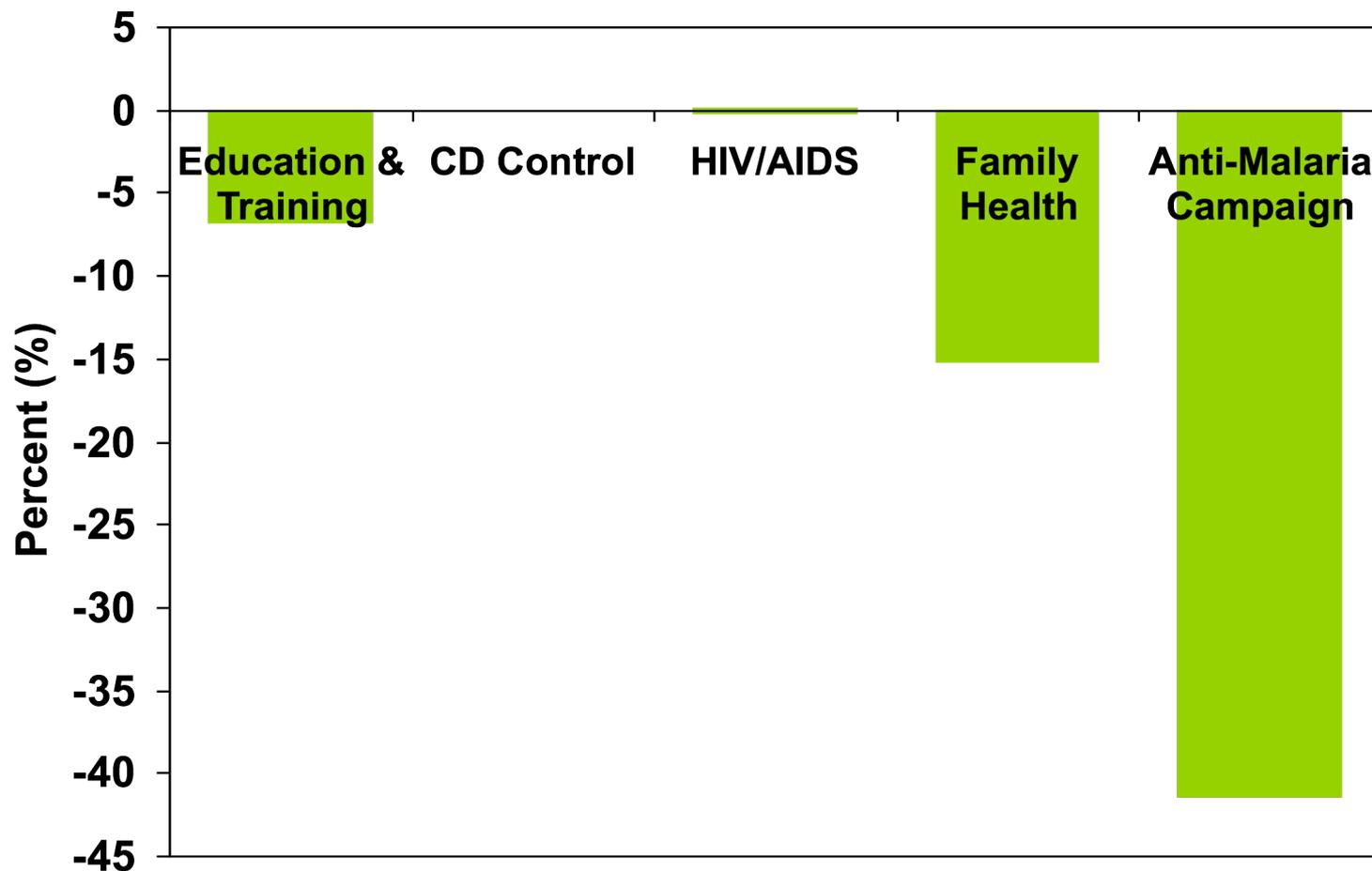
# Sri Lanka: Changes in public expenditure in regional context 1990-2000 (%GDP)



# Sri Lanka: Preventive health by source (% of expenditure)

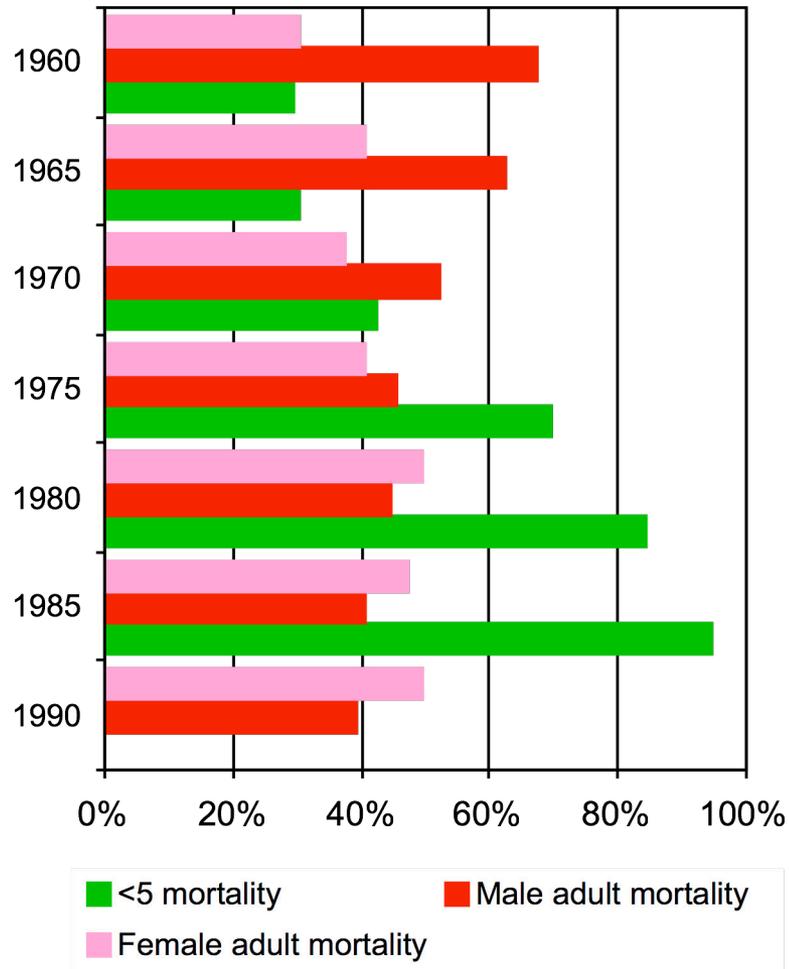


# Sri Lanka: Decomposition of preventive health decline 1990-1997 (%)

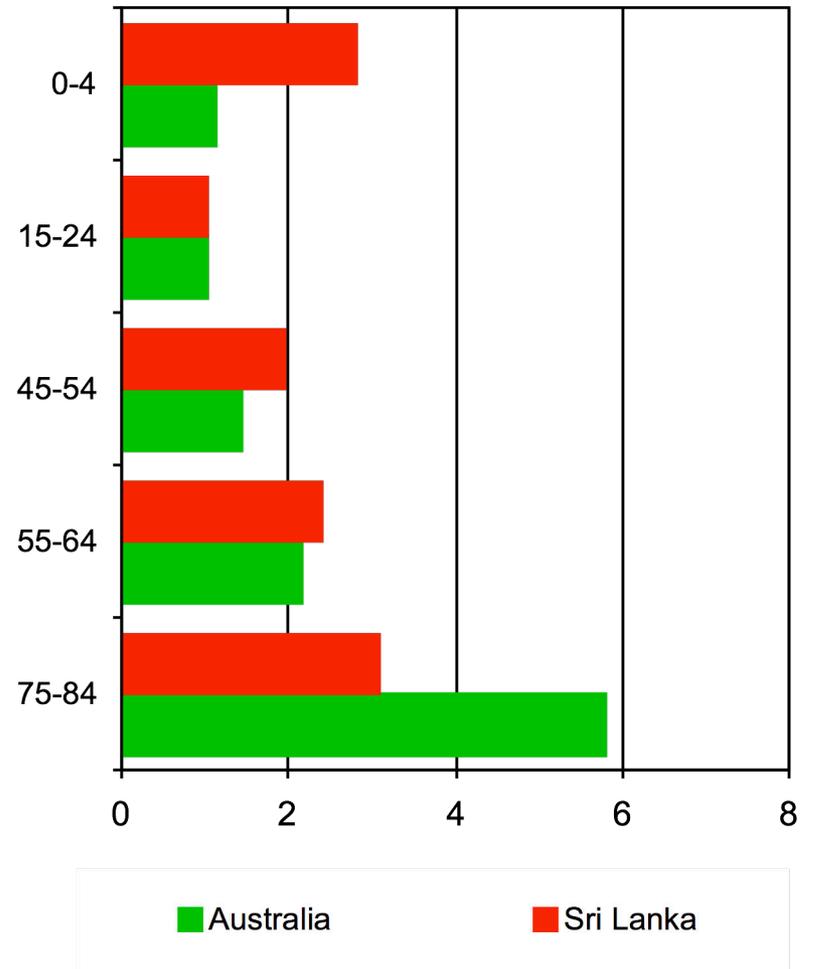


# Expenditures vs. Performance

Sri Lanka health performance relative to income



Expenditure per capita by age, Sri Lanka vs. Australia



# Sri Lanka Health PER 2004: Outcomes

- Conclusions
  - Need for public expenditure to increase
  - Preventive health decline not a real reduction in spending, but an increase
  - Need to target new spending on curative services and older adult health services
- PER process benefits for NHA
  - Improved coordination with MOF
  - Improved data processes
- Policy impact
  - MOF has substantially increased public spending as share of GDP
  - Increasing interest in MOH in refocusing on adult health

# Sri Lanka Health PER 2004: Postscript

## PER Analysis (2004)

- Consideration of the epidemiological and demographic trends indicate that **expenditures on patient care services will need to increase substantially in real terms in future to achieve better results in the area of adult morbidity and mortality.**
- Analysis ... do not support the notion that allocational efficiency of public expenditures will be improved by increases in the relative allocation to preventive health. There should be ... increase in expenditures on the preventive side, but the **priority should remain curative services.**

## Published PER (2006)

- **Analysis retained, but key conclusions reversed**
- The health system is extremely equitable and displays high levels of technical efficiency (**although less so for allocative efficiency with the increasing share of resources going to curative care**).
- Recommendation: **a general increase in the share of public expenditure going to preventive care;**

## Indonesia Health PER 2003

- Sectoral PER funded by donor consortium
- Questions:
  - What happened to public spending after decentralisation?
  - Allocational efficiency in public expenditures at district level?
  - Targeting of spending to poor?

# Indonesia Health PER 2003

- Lack of adequate NHA meeting international standards
  - Required compilation of database of district spending
  - Need for functional analysis of government spending
- Major missing data gaps were ones that should have been filled by an effective NHA process
- Data collection analysis for PER highlighted design weaknesses and high cost of then NHA

## Bangladesh PERs 1998-2006

- History of strong health financing analysis capacity in MOH (1998-2000), and reliable NHAs (1998-2001)
- Effective and intensive exploitation of NHA in PERs has required:
  - Strong analytical capacity in MOH to enable use of NHA data and to translate findings into internal advocacy within government
  - Sustained support for NHA unit after 2-3 years to maintain capacity

## Kyrgyz SWAP design 2005

- US\$30 million health sector SWAP proposed
  - Increase in public (+ donor) spending
  - Reallocation of resources & shift in funding mechanisms
- Questions:
  - How to track government expenditure effort and program reforms?
  - How to track expenditure efforts when budget codes do not match SWAP objectives?
  - How to measure percentage of funding gap met by SWAP funds?

## Kyrgyz SWAP design 2005

- NHA techniques used to map budget classifications to SWAP activity categories
- Monitoring indicators developed using NHA-type aggregates, which are independent of changes in budgeting rules
- Projections used to identify funding gaps remaining after domestic and SWAP funding

# Lessons

- NHAs can be valuable input for PERs, but critical requirement is NHA capacity, and not NHA reports:
  - Analytic expertise to exploit NHA data, to do further analysis, systematic databases
  - OECD SHA/ICHA provides means to deepen analysis to purpose of spending
  - Routine tracking with time series data
- NHAs need to evolve better linkages with internal MOF govt expenditure data
- PERs can mutually reinforce institutionalization of NHA capacity
- PERs with local NHA expertise more likely to have country acceptance
  - Need to link NHA compilation with local health financing expertise
  - Local experts more effective advocates
  - Local experts more effective institutional memory
- Need for WB staff and policy-makers to understand potential of SHA-based accounts to support PERs and how to use NHA as a resource
- Better evidence is not enough if policy is not evidence-based