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**Sub-Theme 3**: PHC and Healthcare financing

Title

*PHC and Healthcare financing* by income tax revenues, and inequalities reduction in Côte d'Ivoire

by

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**Abstract**

Background: In most developing countries, the goal of universal health coverage (UHC) is not easy to reach due to the fact that large, resource-poor populations have limited access to health services. Given that resource-poor people cannot afford out-of-pocket health expenditures, or can pay for them only by sacrificing other priorities, a health financing system under which people are required to pay for use directly is one of the major barriers to reaching UHC. Although cost sharing is necessary to prevent the overutilization of health services arising from the potential problem of moral hazard, universal coverage is more likely to be reached when the out-of-pocket ratio for direct payment is sufficiently low.

Objective: Our paper studies the impact of tax-financed universal health coverage schemes on macroeconomic aspects of labor supply, asset holding, inequality, and welfare, while taking into account features common to developing economies, such as informal employment and tax avoidance, by constructing a dynamic stochastic general equilibrium model with heterogeneous agents. Agents have different education levels, employment statuses, and idiosyncratic shocks. This paper tries to fill the research gap by exploring the following questions. First, what is the impact on individuals in terms of their optimal decisions for labor supply and asset holdings? Second, what are the impacts on inequality and social welfare? Third, what are the different impacts at both the aggregate and disaggregate levels?

Methods: To quantitatively answer these questions, the paper adopts a modern dynamic stochastic general equilibrium framework, which is being increasingly used for the study of social security and public finance. Broadly, the paper aims to provide a rigid framework for evaluating such socioeconomic policies that can help policy makers to understand the impacts across different social groups, as well as the aggregated outcomes.

Result/conclusion: Given three tax financing options, calibration results based on the Ivorian economy suggest that the financing options matter for outcomes both at the aggregate and disaggregate levels. Universal health coverage, financed by labor income tax revenue, could reduce inequality due to its large redistributive role. Social welfare cannot be improved when labor decisions are endogenous and distortions are higher than the redistributive gains for all tax financing options. In the absence of labor supply choice, mild welfare gains are found. In a broader sense, the paper aims to provide a frame for policy evaluation of socioeconomic policies from both macro and micro perspectives, taking different social groups into consideration.

**Keys words:** Tax-financed, universal health coverage, fiscal space, reduce inequity, financial risk protection.