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Innovative financing for UHC in Mozambique

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STRUCTURE OF PRESENTATION

Country Context

Universal Health Coverage importance for Mozambique

Methodology for Innovative financing mechanisms for health

- ☐ Fiscal diamond vs IFM
- ☐ Analysis of 4 selected options
- ☐ Financial impact of proposed mechanisms
- ☐ Alternative approaches
- ☐ What to do with additional resources?

Conclusions and recommendations



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SOCIO- ECONOMIC INDICATORS

Current Health indicators

Neonatal mortality rate (per 1000 live births(2012) ⁿ	30 [19-50] (Both sexes)
Under-5 mortality rate per 1000 live births (2013) ⁿ	87 [77-106] (Both sexes)
Maternal mortality ratio per 100 000 live births(2013) ⁿ	480 [300-850]
% DPT3 Immunization coverage among 1-year olds(2012) ⁿ	76
% Births attended by skilled health workers(2011) ⁿ	54.3
Density of physicians (per 1, 000 population) (2008)	0.03
Density of nurses and midwives (per 1 000 population) (2008)	0.34
Total expenditure on health as % of GDP (2012) ⁿ	5.8
General government expenditure on health as % of total government expenditure (2012) ⁿ	8.8
Private expenditure on health as % of total expenditure on health (2012) ⁿ	50.6

Social indicators

Population in million (2013) 25.8
 % Population under 15 (2012) 45.38
 Life expectancy at birth (2012) Total, 53 (Both sexes, 54 (Female); 52 (Male)

Poverty rate: 54%



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HEALTH SITUATION ANALYSIS

Health is one of the priority sectors of government policy.

- Government long term Growth strategy 2015-2035 - defines the development of human capital as main pillar for country development based on industrialization
- the Five-year Government Plan (Plano Quinquenal do Governo – PQG) 2014–2019 - health sector is the second strategic objective.
- Health sector Strategic Plan 2015-2019
- Other government's operational tools, namely the annual economic and social plans and budgets.

Government 5 year Plan defines 3 main objectives for Health Sector aiming at increase health coverage and improve the living conditions of population through:

- Reduction of maternal and child health mortality and morbidity
- Recruitment of more qualified health professionals
- Contribute to increase intersectoral gains: healthy population → physical and mental development → increased labour productivity → increased growth rates



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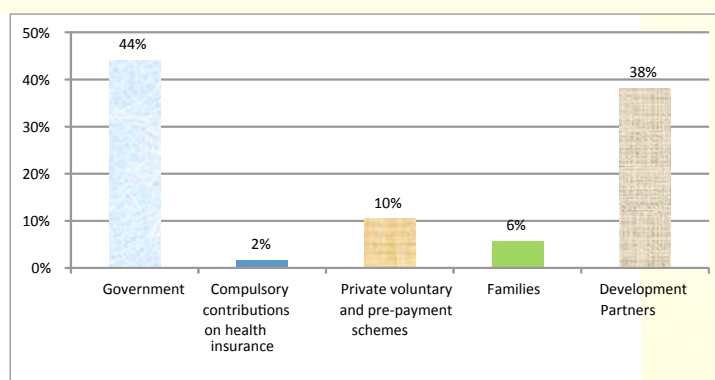
MACROECONOMIC CONTEXT

Indicator	2015	2016	2017
GDP(MZNs)	589,294	686,487	796,936
Economic growth(%)	6.6	4.5	5.2
Inflation rate(%)	3.6	16.7	14.3
Exchange rate(MZM/ USD)	38.3	52.2	69.9



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HEALTH FINANCING PROFILE



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FINANCIAL TRENDS 2010-14

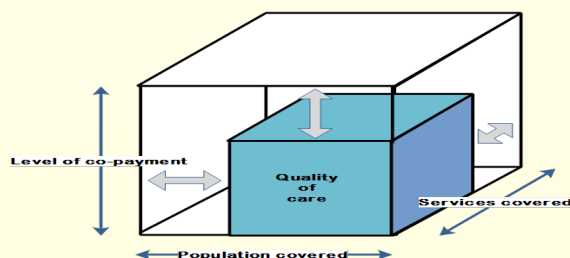
- Internal resources have been the main source of sector funding and have risen significantly
- Decreasing expenditures on health (% of total budget and real GDP)
- Rising absorption capacity of the health sector, 2010–2014, % budget spent
- The health sector funds are still being largely spent on staff, goods and services
- Risk pooling and purchasing are still insignificant (2 % of total financing schemes, 2012)



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UNIVERSAL HEALTH COVERAGE

- Sustain and increase coverage of health services to population, increase the package of services offered and reduce the level of outpocket payments.



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HEALTH MAIN CHALLENGES

OBJECTIVE	INDICATOR	BASE 2014	Target 2019
Reduce maternal mortality	Coverage rate of institutional deliveries	71%	75%
Increase the rate of acute malnutrition cure for children < 5 years	Coverage rate for treatment of acute malnutrition for children < 5 years	60%	80%
Increase the number of health professionals	Ratio health professional / 100 mil inh	94	113.3
Increase the number of districts with hospitals	Number of districts with Distrital hospitals	44	60

Source: PQG 2015-2019



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STUDY OBJECTIVE AND METHODOLOGY

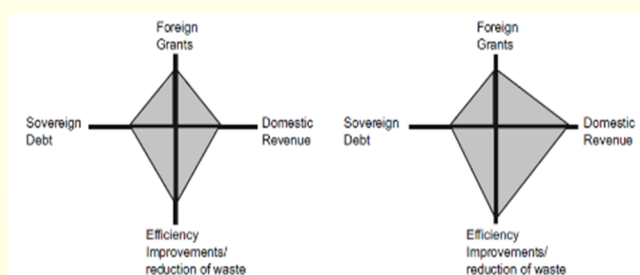
Generate evidence on potential resources to increase domestic funding for health in the context of developing a health financing strategy.

- Literature review - analysis of available literature at global, regional and national level was carried out for all four mechanisms
- National workshop for identification and consensus on options for innovative financing mechanisms
- Semi- structured interviews with different stakeholders (public, private, NGOs, Academia and civil society) about selected mechanisms
- Data collection and analysis (qualitative and quantitative)



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CREATION OF FISCAL SPACE FOR UHC: FROM THE FISCAL DIAMOND TO IFM FOR HEALTH



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CREATION OF FISCAL SPACE FOR UHC

- To close the UHC health financing gap by 2020, the government would need to implement efficiency savings in its expenditures and allocate additional GDP to health.
- Increased government budget allocation – current government funding to the health sector would need to greatly increase from the current 2% allocated to health (to reach 15%).
- Government commitment to health financing over the next 10 years, the Mozambican health system could gain from \$100 million 2014/15 up to 1.7 billion in 2024/25. This would reduce its financing gap by an average of 2% of GDP. This would not be enough to close the gap and so other alternative funding options are required.
- Efficiency –implemented efficiency measures, it could save from \$1 to 1.5 billion per year on the cost of health services. This equates to 3–5% of GDP, or up to 16% of the national budget.
- Borrowing – Finally, it is projected that some accumulation of debt is necessary to meet the basic health needs for Mozambique. Initially borrowing needs are projected at \$1 billion a year, falling quickly. If debt is considered, concessional arrangements ought to be a priority.



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IFM FOR HEALTH: HOW WE GOT THERE?

- a) Literature review at global and regional level
- b) Verification of availability of data for analyses of potential IFM in mozambican context
- c) Selection of potential mechanisms: detailed analyses on sustainability, political economy, current and projected economic context , financial impact



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IFM FOR HEALTH: MECHANISMS AND ANALYSIS CRITERIA

Mechanisms	Analysis criteria
<ul style="list-style-type: none"> a) Car tax b) alcohol levy c) Tourism levy d) Extractive industry 	<ul style="list-style-type: none"> Economic rational Progressivity Stability and sustainability Political economy Transaction costs



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POTENTIAL ADDITIONAL REVENUES TO BE RAISED, 2015–2019

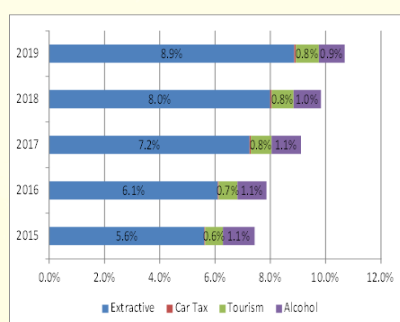
Mechanism	Assumptions		Potential additional revenues	
	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Extractive industry	Minimum statutory rate of hypothecation of 10% and annual growth rate of tax revenues equal to a minimum of 5%	Minimum statutory rate of hypothecation of 10% and annual growth rate of tax revenues equal to a minimum of 15%	Range from \$26 million to almost \$32 million; average of \$29 million per year	Range from \$28.5 million to \$50 million; average of \$38.5 million per year
Car tax	- Annual increases of tax revenues for 2014–2019 based on average annual growth rates of total tax car tax revenues for 2013–2014 (10.9%) . - 10% increase of statutory tax rates once every three years.	- Annual increases of tax revenues for 2014–2019 based on average annual growth rates of total tax car tax revenues for 2013–2014 (10.9%) . - 20% increase of statutory tax rates once every three years.	Potential revenues vary from \$129,700 to \$196,500; the annual average would be \$165,000.	Potential revenues vary from almost \$129,700 to \$342,300; the annual average would be \$202,000.
Tourism levy	1% levy on cost of accommodation per day	1% levy on cost of accommodation per day	Potential additional revenues could total \$3million per year	Potential additional revenues could total \$3million per year
Alcohol levy	1% levy on retail price of beer, 2% on wine and 5% on spirits	1% levy on retail price of beer, 2% on wine and 10% on spirits	\$4.5 million per year	\$6 million per year
Total			\$36,3 million per year	\$48.7 million per year



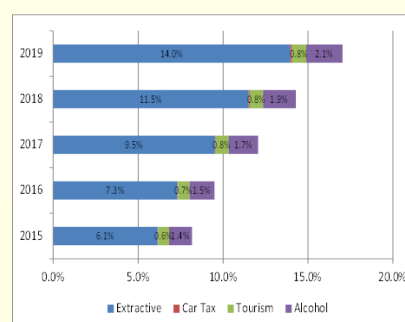
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IFM VS FINANCIAL HSSP GAP

Moderate Scenario



Optimistic Scenario



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APPROACHES TO INNOVATIVE FINANCING MECHANISMS

- The mechanisms are neither exclusive nor prescriptive
- More creative options that can be used by countries depending on the context and circumstances, sector needs and the government's ability to collect additional revenues

Additional health financing mechanisms to be further explored

- the formalisation of medical services
- a levy on clinics and earmarking to health
- hypothecating a portion of government revenues from forestry (20% according to Law 10/99 de 7 de Julho and Ministerial Decree 93/2005)
- a levy on mobile phones



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CONCLUSIONS AND RECOMENDATIONS

- The study analyzed key trends in the Mozambican health sector, including strategic objectives for the next five years, with the view of identifying some initial innovative health financing mechanisms that could promote the attainment of current national UHC goals in Mozambique
- **Taking into account all the possible effects of the exploited IFM there seems to be room to introduce them**
- **The explored innovative financing mechanisms for health cannot be seen as the panacea of the financing needs of HSSP or health in general but only as potential contributor;**
- **There are many other IFM that can be explored and require in-depth studies;**
- It is important that the health system show clearly what to do with additional resources to ensure a greater commitment from the other stakeholders (internal and external)
- **More than mobilize resources, it is important that the health system allows for greater efficiency and effectiveness of available and additional resources**
- **"There is no free lunch": there will be transaction costs associated with the implementation: inter-sectoral coordination meetings, investment in human and material resources;**
- **A strong leadership from the MoH to (i) prioritize the focus to the mobilization of additional resources to the sector and (ii) very strong lobbying of key stakeholders for each of the IFM discussed;**
- The various stakeholders should regard themselves as partners in this journey that is complex and together discuss and agree on the IFM to adopt institutional and legal framework necessary mechanisms of fund flows, financial management systems, etc.



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Merci Beaucoup

Thank you

Muito Obrigada



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