

Graduation of Ghana and Kenya to lower-middle income status: fiscal implications for health financing

School of Public Health, University of Ghana (GSPH)

The Lancet Commission on Investing in Health (CIH)



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Background & Requirements for Convergence

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Global Health 2035

The Lancet Commissions

GLOBAL
HEALTH 2035

THE LANCET



Global health 2035: a world converging within a generation

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Executive summary

Prompted by the 20th anniversary of the 1993 World

A “grand convergence” in health is achievable within our lifetimes

Background

- The graduation of Ghana (2010) and Kenya (2014) to lower-middle income country status came as good news:
 - Depicts growth in economic activity, affecting all sectors
 - Growth expected to lead to
 - ✓ Expansion in critical health infrastructure through improved health spending
 - ✓ Improvements in health outcomes / indicators
- In reality, however, this may have downsides:
 - Reduction in total funds available to the sector due to reduction in donor support
 - If action not taken, may lead to shrinking infrastructure, worsening health outcomes

Objectives

- The main objectives of the study were to:
 1. Estimate funding requirements to achieve “grand convergence” in health
 2. Explore funding gap due to reduced donor support
 3. Explore potential fiscal space for health

Funding Requirements to Attain the Grand Convergence: Ghana & Kenya



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Achieving GCH: Incremental Costs

KENYA

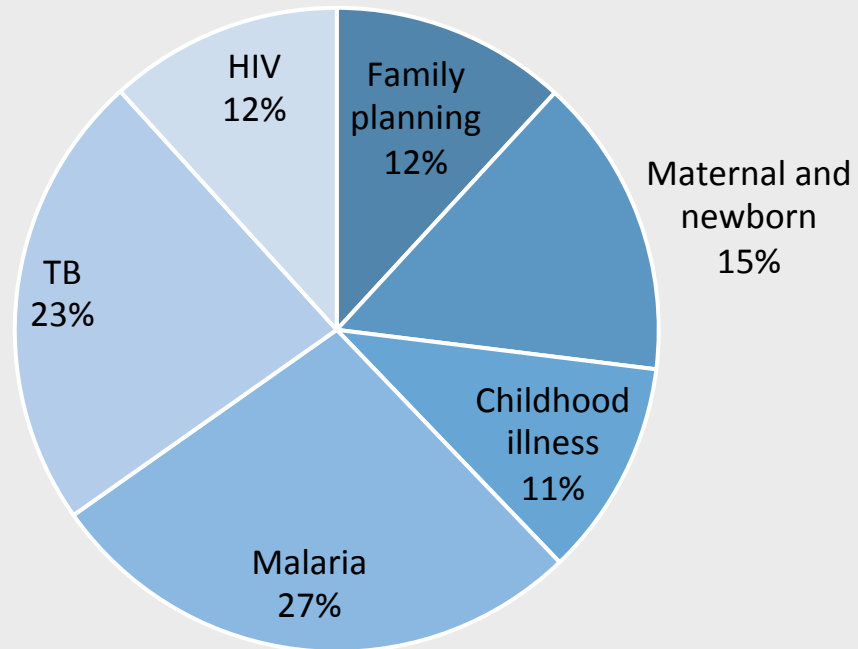
- A total of **\$932m** is required *annually* over 20 years (i.e. total \$18.6b) on top of current spending
 - About 83% of that for health systems str.
 - The rest distributed among prog areas
 - Investments should target vulnerable regions & populations with interventions
 - About 54,031 deaths could be averted each year
 - Econ returns could be \$14 for every \$1 spent i.e. BCR of >14.28

GHANA

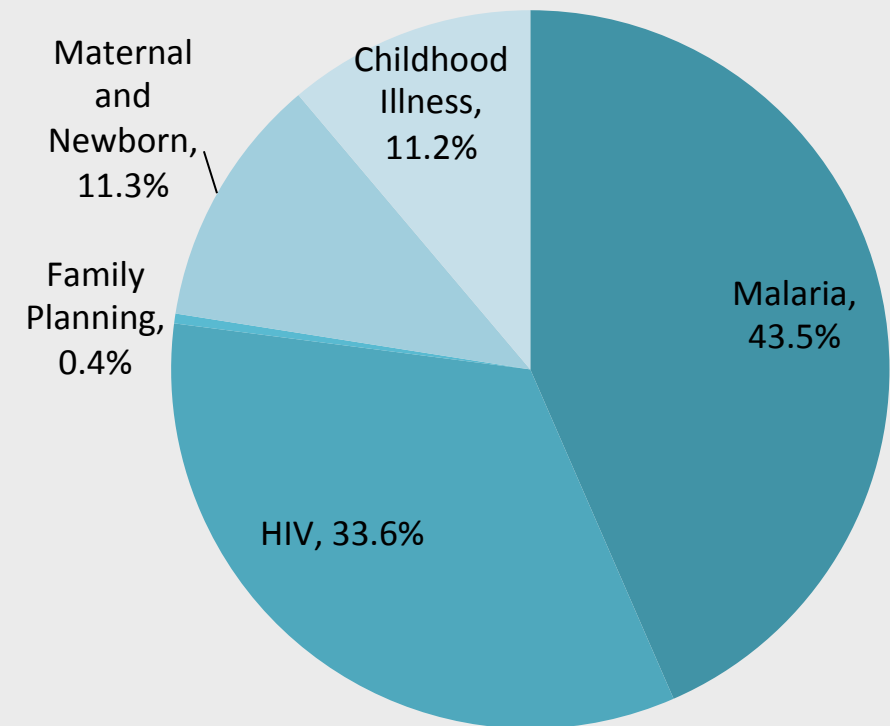
- Total of **\$566m** *annually* over the next 20 years (i.e. total \$11.3b) on top of current spending to reach “grand convergence”
 - About 82% of that for health systems str.
 - The rest distributed among prog areas
 - Investments should target vulnerable regions & populations with interventions
 - Cost savings could accrue in immunizations, TB
 - About 23,930 deaths could be averted each year
 - Econ returns could be \$10 for every \$1 spent i.e. BCR of >10.9

Distribution of Incremental Programmatic Costs

Kenya



Ghana



Estimated Reductions in Mortality

Kenya			
Cause	2011 (# of deaths)	2035 (# of deaths)	% reduction
Maternal deaths	5,700	1,900	67%
Stillbirths	35,000	17,600	50%
Under-5 child deaths	131,100	46,800	64%
TB deaths	12,500	4,100	67%
HIV deaths	71,000	11,100	84%
Births	1,584,000	1,298,000	18%
Total fertility rate (births per woman)	4.7	2.2	53%
Under-5 mortality rate (per 1,000 live births)	83	36	57%

Ghana			
Cause	2015 (# of deaths)	2035 (# of deaths)	% reduction
Maternal deaths	4,200	2,600	42%
Under-5 child deaths	71,900	25,200	65%
TB deaths	14,700	1,000	93%
HIV deaths	13,000	12,000	8%
Births	807,700	705,000	13%
Total fertility rate (births per woman)	4	2	50%
Under-5 mortality rate (per 1,000 births)	61	36	41%

Ghana Case

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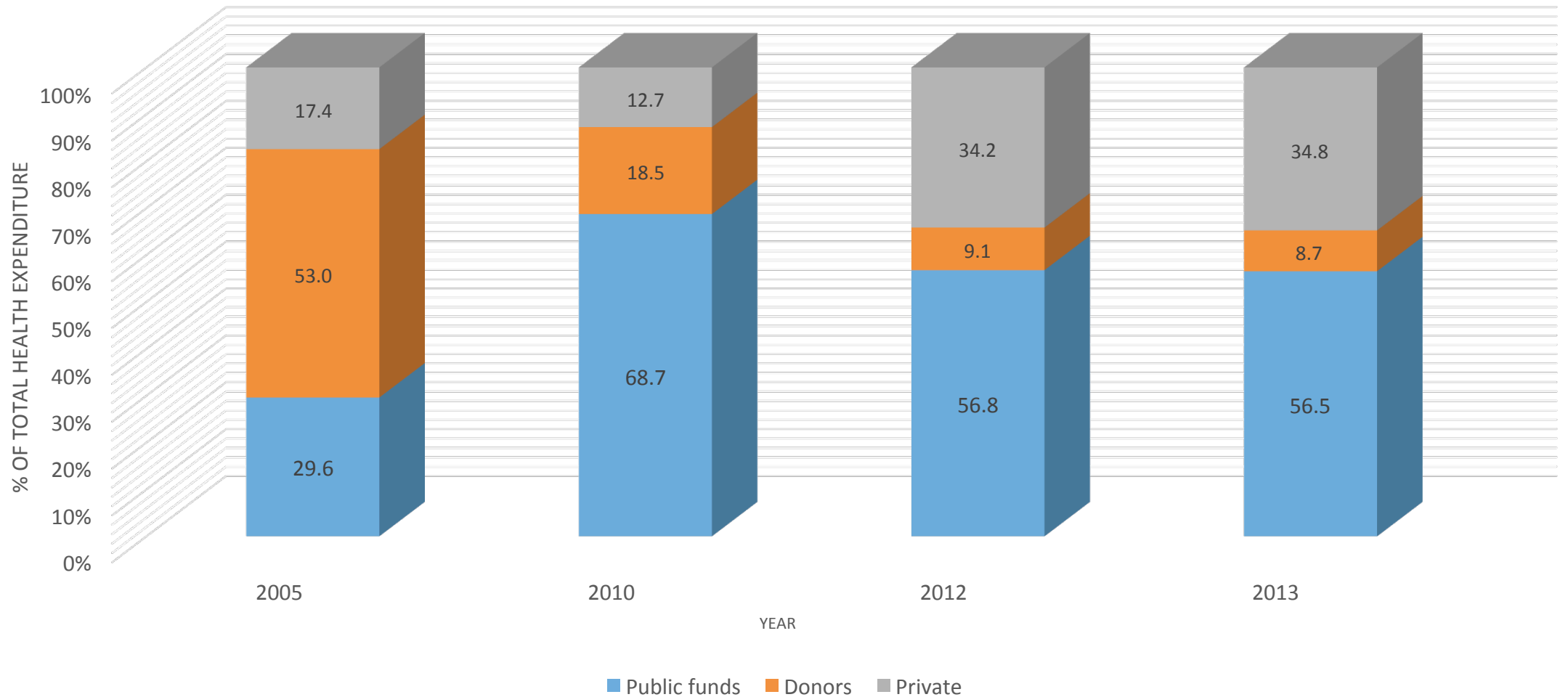
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Funding Gap



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Health Expenditure by Source, 2005 - 2013



Fiscal Space



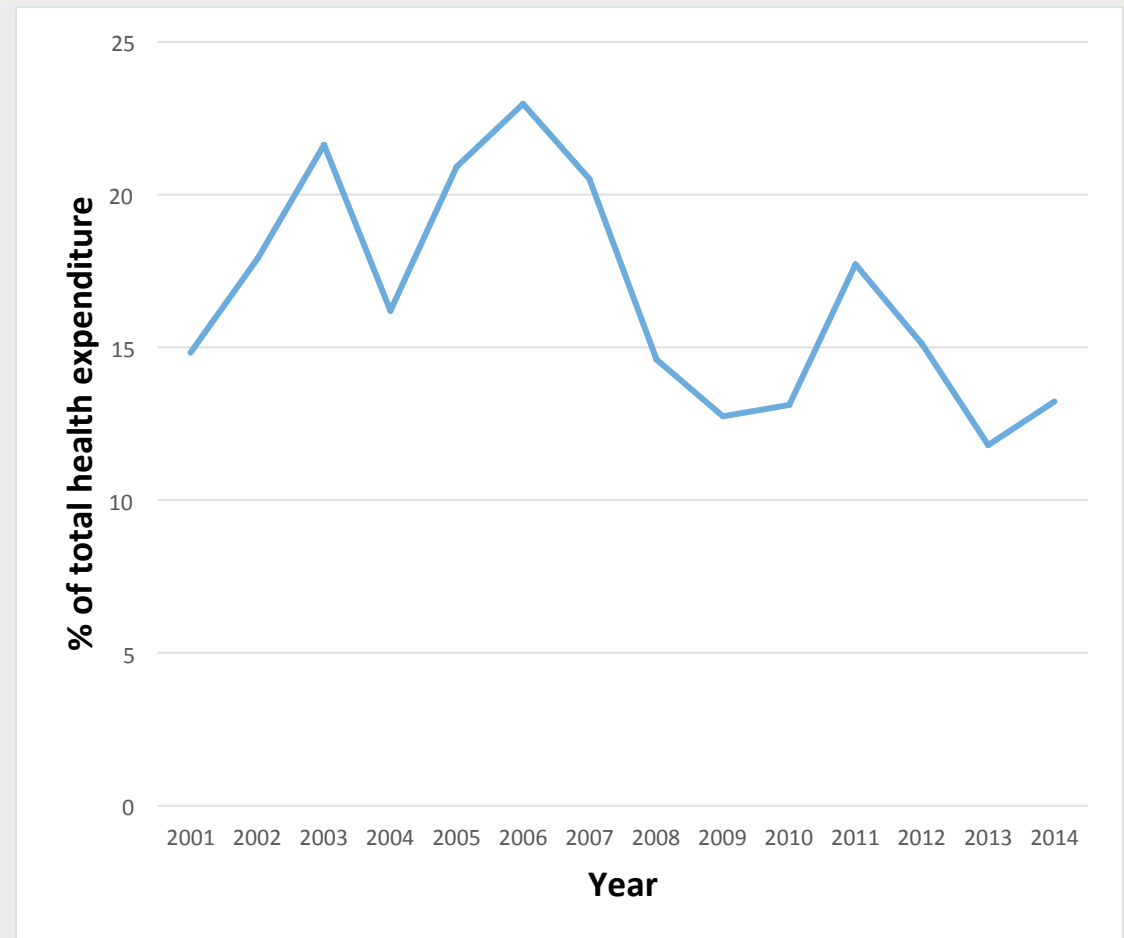
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Improved Tax Revenue

- We assessed tax efforts, buoyancy and elasticity of various tax handles and conclude that there is space to broaden tax base and raise more revenue for health
- Tax effort in Ghana is lower across such handles as (VAT, excise, corporate, income etc.). This raises efficiency concerns.
- Average tax elasticity is estimated to be 1.03 between 1987 and 2007.
- Tax effort and capacity is estimated at 0.55 and 24.2, below the middle income average of 0.63 and 26.4, respectfully.
 - Effective tax reforms
 - Reaching out to the informal sector
 - Macroeconomic fundamentals

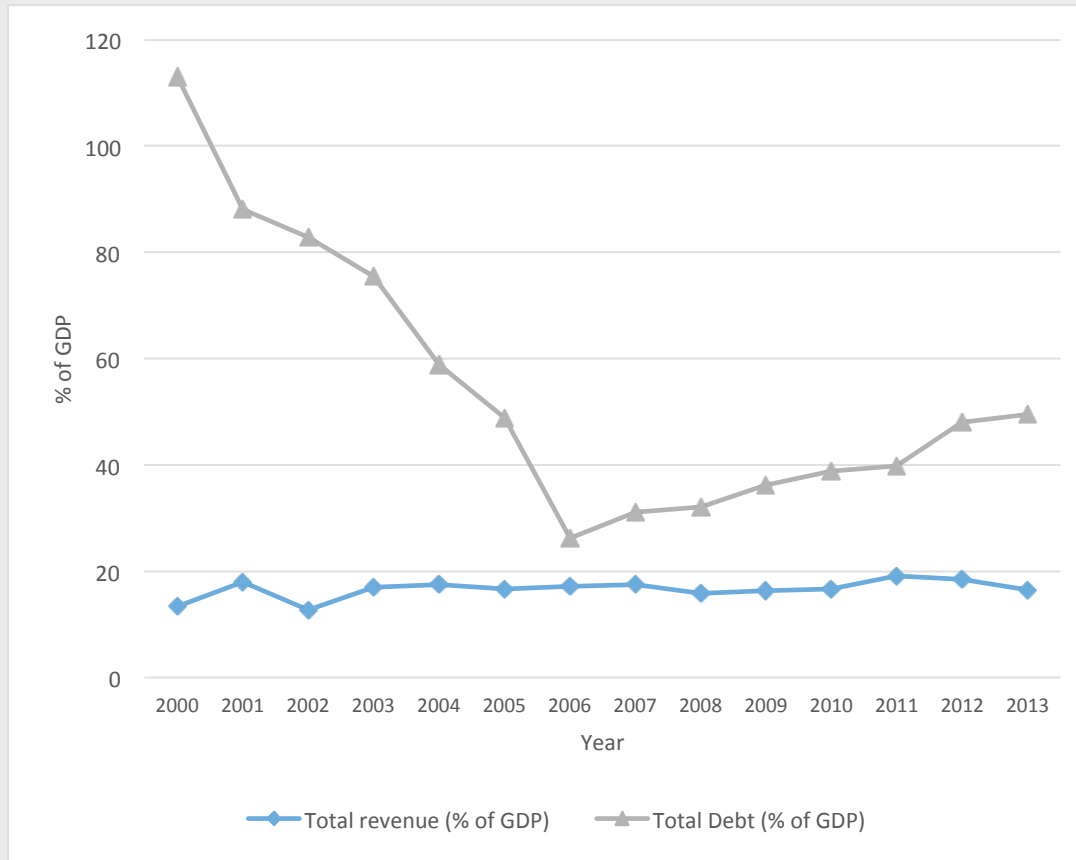
Overseas Development Assistance

- External resources to the health sector have been inconsistent over the years
- Significant declines in recent years attributed to
 - Transition to MIC status and
 - Global economic downturn

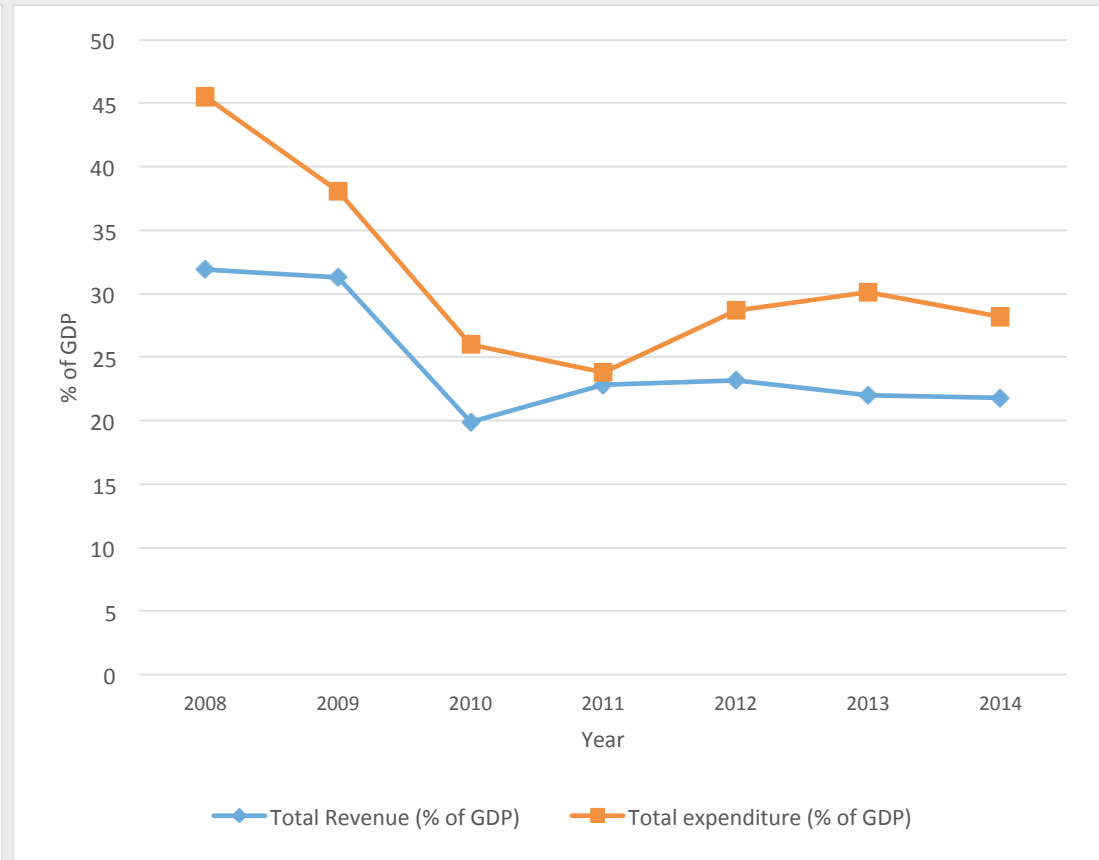


Borrowing

Trend in Revenue and Debt



Trend in Revenue and Expenditure



Improved Health Systems Efficiency

- There is space to save from improved efficiency (use of fewer resources to achieve same level of outputs) of health services and health expenditure
 - Average efficiency for district hospitals was 0.72, suggesting potential wastage of 0.28.

Improving Private Sector Investment

- Public-private partnerships for health
 - PPP in delivery of specific services improves efficiency but also brings in private sector resources for health
 - Consider successful case studies in
 - Myanmar: involvement of cooperatives, joint ventures with NGOs
 - Pakistan: encouraging private investment in pharmaceutical industry
- Make an economic case for private sector to specifically invest in health
 - Typical e.g. of businesses lost approx. US\$6.5m in 2014 alone, & one month of staff productivity to malaria between 2012-2014

Economic Case for Private Sector Investment in Health

- In Ghana, businesses lost approx.
 - US\$6.5m in 2014 alone to malaria
 - 3,913 workdays, equivalent of one month of staff productivity, lost to malaria 2012-2014
 - 93% of business leaders think it is worthwhile for their businesses to invest in malaria control

RESEARCH

Open Access



Economic burden of malaria on businesses in Ghana: a case for private sector investment in malaria control

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Abstract

Background: Despite the significant gains made globally in reducing the burden of malaria, the disease remains a major public health challenge, especially in sub-Saharan Africa (SSA) including Ghana. There is a significant gap in financing malaria control globally. The private sector could become a significant source of financing malaria control. To get the private sector to appreciate the need to invest in malaria control, it is important to provide evidence of the economic burden of malaria on businesses. The objective of this study, therefore, was to estimate the economic burden on malaria on businesses in Ghana, so as to stimulate the sector's investment in malaria control.

Methods: Data covering 2012–2014 were collected from 62 businesses sampled from Greater Accra, Ashanti and Western Regions of Ghana, which have the highest concentration of businesses in the country. Data on the cost of businesses' spending on treatment and prevention of malaria in staff and their dependants as well as staff absenteeism due to malaria and expenditure on other health-related activities were collected. Views of business leaders on the effect of malaria on their businesses were also compiled. The analysis was extrapolated to cover 5828 businesses across the country.

Results: The results show that businesses in Ghana lost about US\$6.58 million to malaria in 2014, 90 % of which were direct costs. A total of 3913 workdays were lost due to malaria in firms in the study sample during the period 2012–2014. Businesses in the study sample spent an average of 0.5 % of the annual corporate returns on treatment of malaria in employees and their dependants, 0.3 % on malaria prevention, and 0.5 % on other health-related corporate social responsibilities. Again business leaders affirmed that malaria affects their businesses' efficiency, employee attendance and productivity and expenses. Finally, about 93 % of business leaders expressed the need private sector investment in malaria control.

Kenya Case

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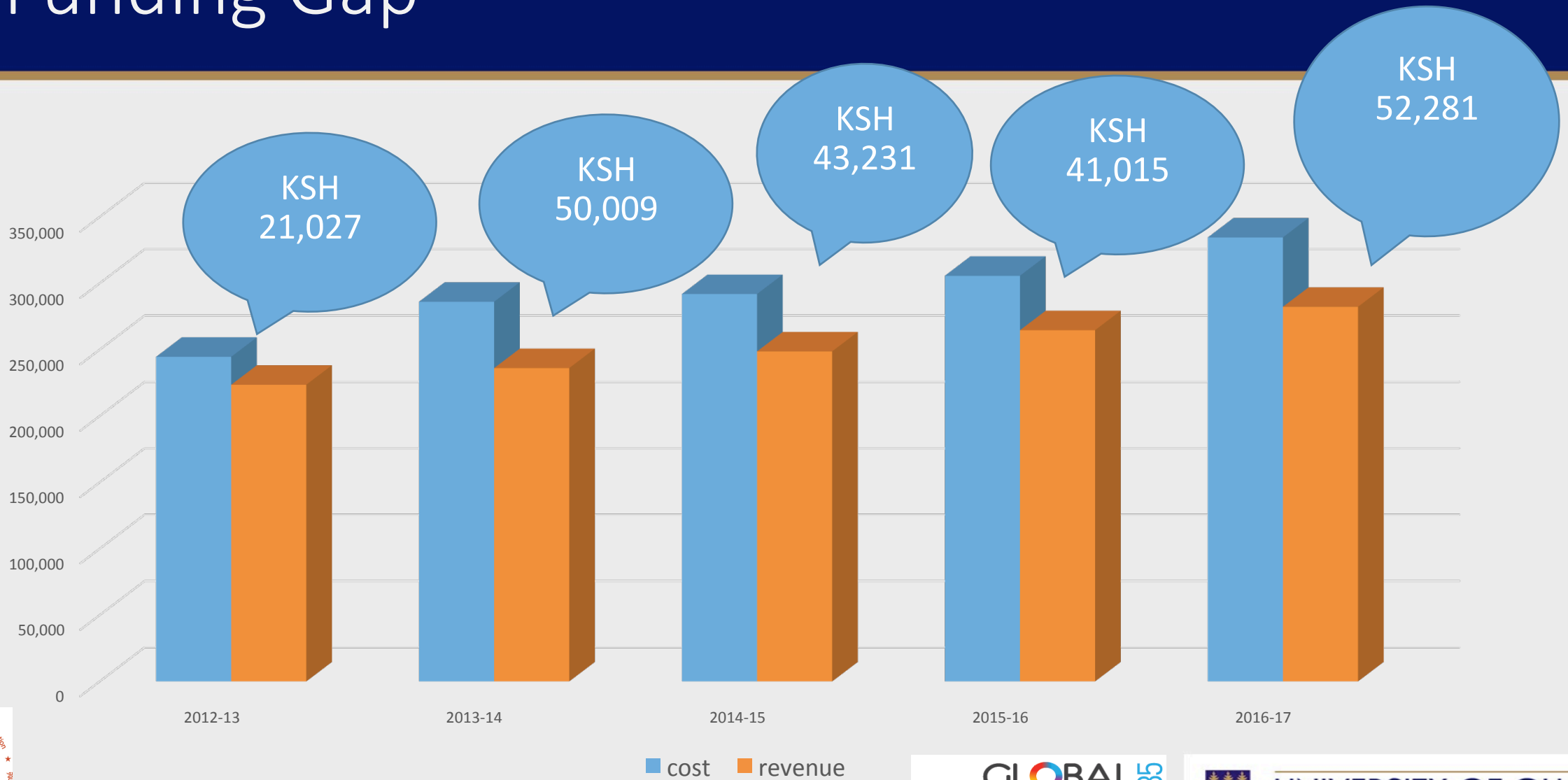


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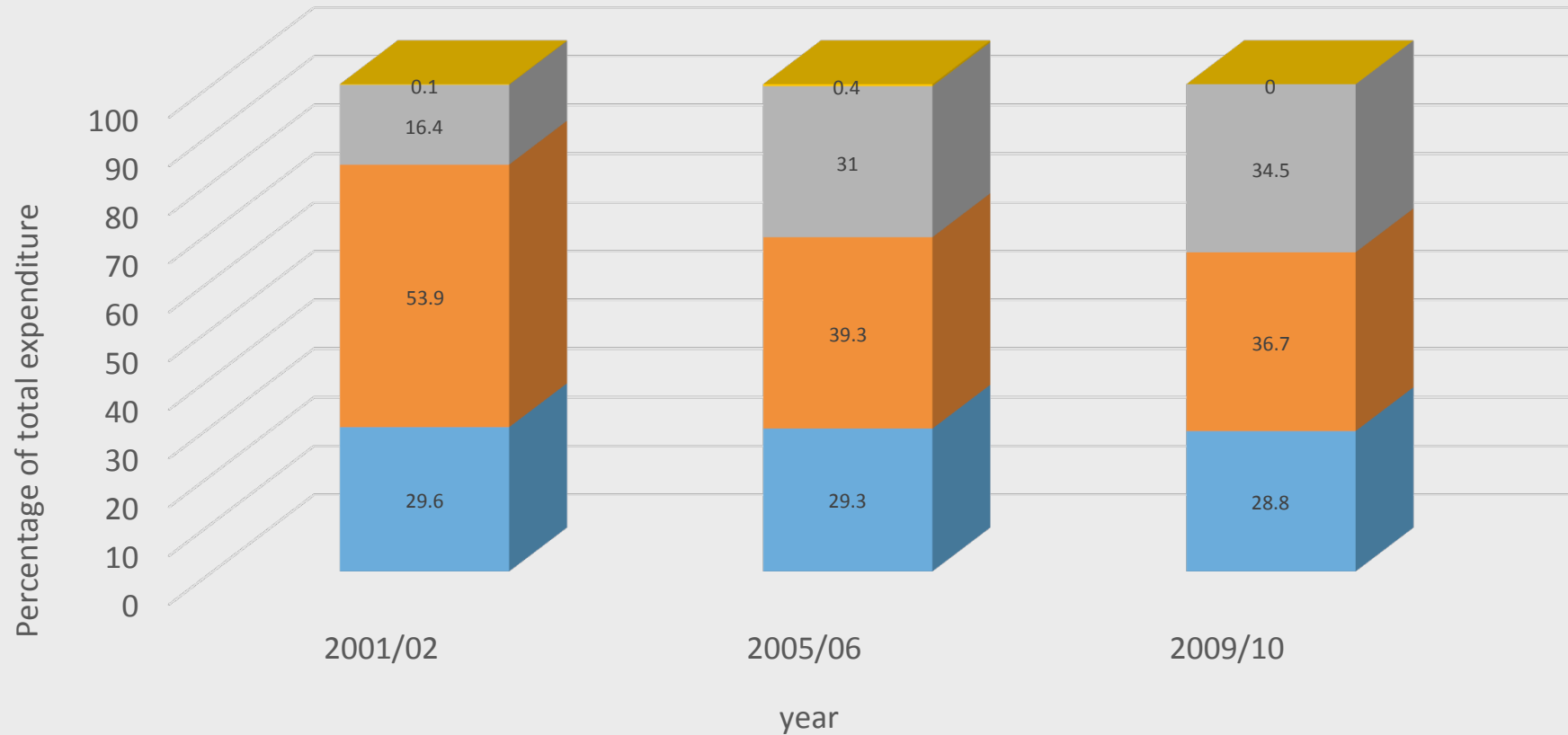
Funding Gap



Funding Gap



Health Financing by Source



Public Private Donor Other

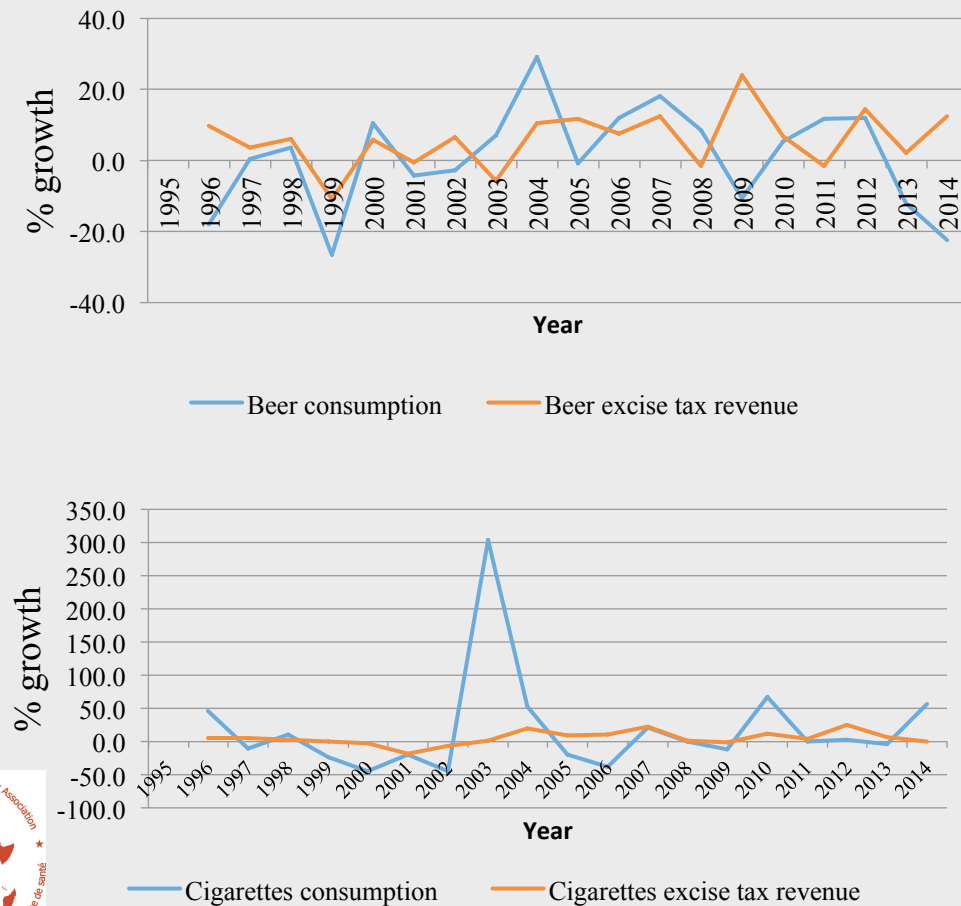
Fiscal Space



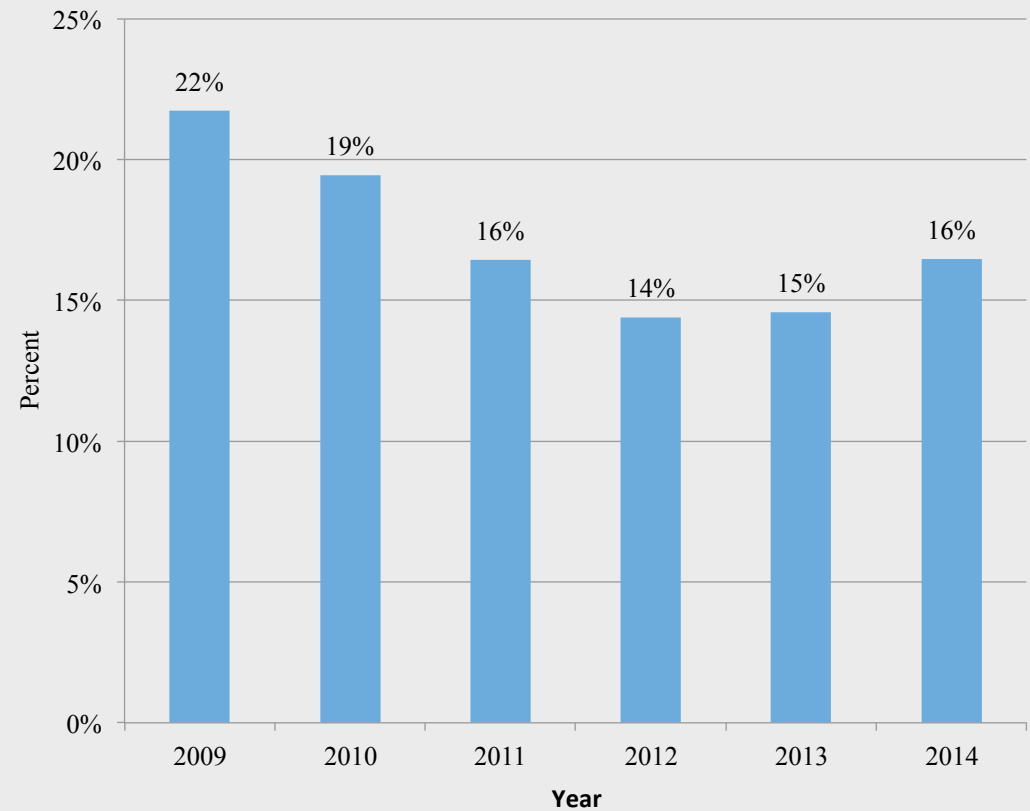
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Improved Tax Revenue

Tax Revenue



Actual to Potential VAT revenue



Fiscal Space from Tax Revenue

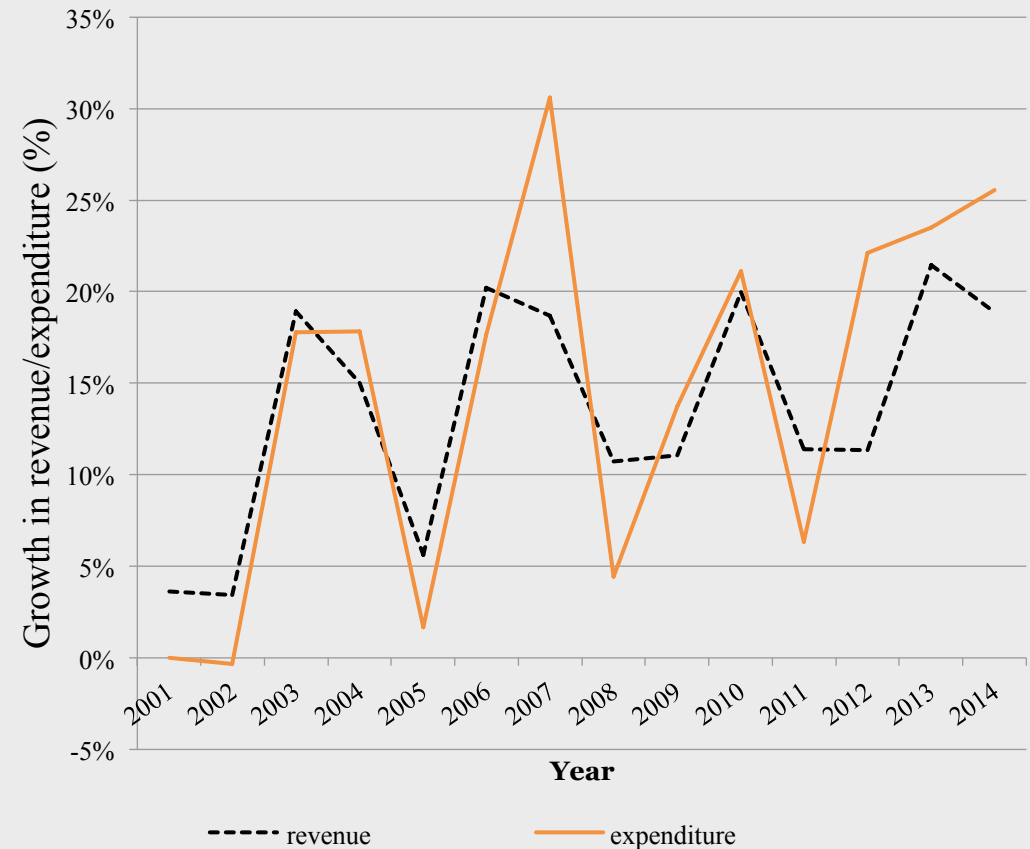
- Space from Tax Revenue
 - Broaden tax base
 - Enhance tax compliance: Automated Tax System (iTax)
 - Enhance VAT collection
 - Enhance property tax collection

Overseas Development Assistance

- Significant declines expected due to
 - Transition to MIC status and
 - Global economic downturn

Borrowing

- High fiscal discipline in Kenya, relative to Ghana.
- Suggests a more sustainable public debt levels and low risk of debt distress.
- This could be leveraged for fiscal space for the health sector.
- Channeled to high priority public health areas



Improved Health Systems Efficiency

- Enhancing Efficiency
- Average efficiency estimated at 72.6%, 50.7%, and 43% for hospitals, health centers and dispensaries respectively.
 - Need to rationalize expenditure through curtailing of less productive expenditures

Improving Private Sector Investment

- Public-private partnerships for health
 - PPP in delivery of specific services improves efficiency but also brings in private sector resources for health
- Make an economic case for private sector to specifically invest in health

Concluding.....

- Shortfall in funding health in Ghana and Kenya due to
 - Transition to LMIC
 - Global economic downturn
- The gaps notwithstanding, there is potential to improve health financing through:
 - Improved tax revenue – expanding tax base
 - Improved efficiency
 - Public-private Partnerships & private sector contributions to health
- Countries can reach convergence with improved financing and strengthening health systems
- A conscious effort needed

Study Team

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