

## Health as an investment: measuring value to create financing options

Presentation to SENIOR FINANCE OFFICIALS' MEETING  
"Strengthening Public Policy for an Integrated and Resilient Asia-Pacific Region"

SESSION 4: LSIF AND HWG WORK ON FISCAL AND ECONOMIC IMPACTS OF ILL HEALTH

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### Context

The 2015 Leaders Declaration stated:

*"We recognize the importance of our health systems in promoting the development of human capital and inclusive growth and look forward to further work in 2016 to address the fiscal and economic impacts of ill-health."*

And the Joint Ministerial Statement declared:

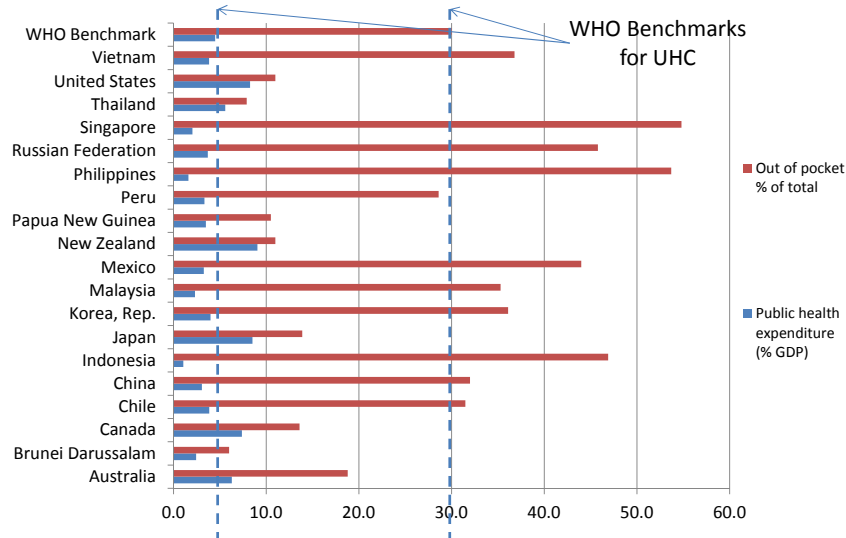
*"We recommend convening a cross-fora dialogue in 2016 to discuss innovative ways of ensuring that our workforce remains healthy and competitive."*

## Outline

- Good health should be regarded as an asset class, like infrastructure, necessary for economic growth and development
  - Chronic disease increasing problem in developing countries
  - Investment in health produces high economic as well as social returns
- In many APEC economies there are still low health coverage rates, especially the 'working poor', who have high out of pocket expenses
  - Increasing public funding for health is a problem given budget constraints
  - Need a fundamental shift in the way health is financed which exploits these high economic returns

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## Out of pocket expenses on health continue to be extensive despite efforts to provide Universal Health Coverage (UHC).



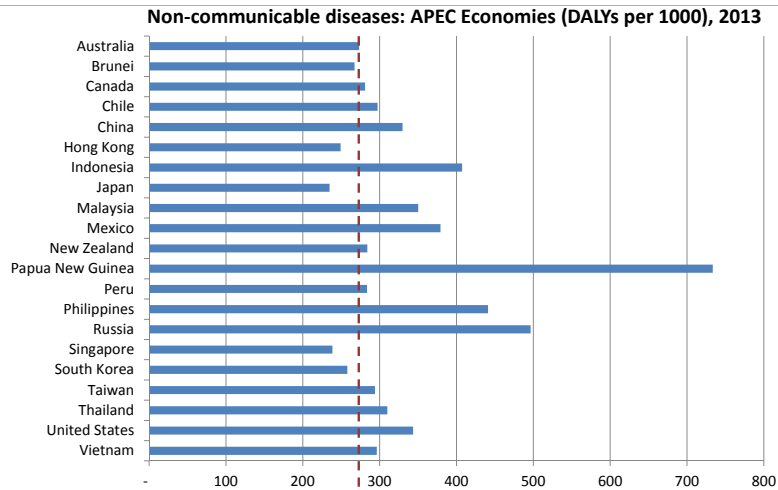
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## Burden of disease from non-communicable diseases (NCDs) is high and increasing

NCDs (cardiovascular diseases, cancer, chronic respiratory diseases, diabetes and mental illness) are generally thought of as a challenge only for developed economies, when in reality the disease burden of NCDs is as high among **DEVELOPING** economies as developed economies.

*Among APEC economies, NCDs, as measured by disability adjusted life years (DALYs) are as high for developing as developed countries.*

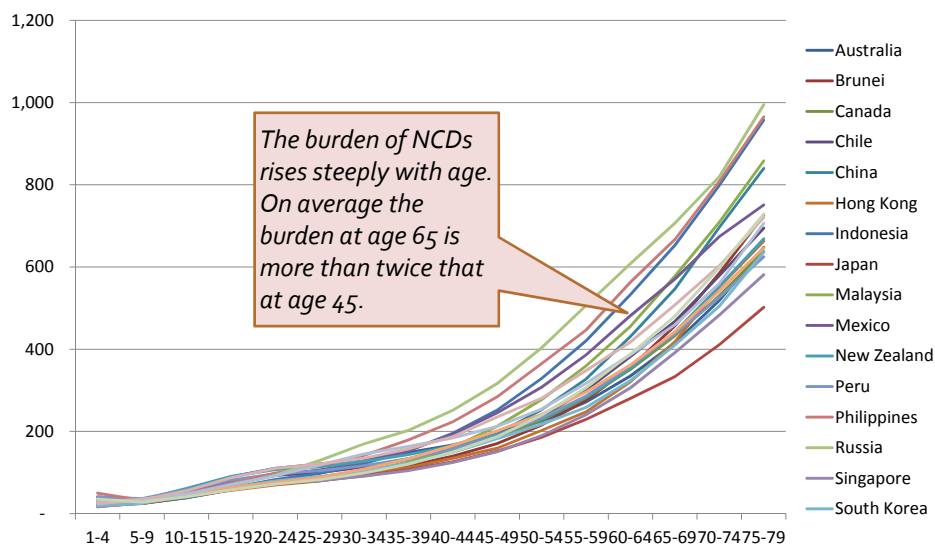
*NCDs are 86% of the total disease burden.*



Source: Institute of Health Metrics and Evaluation (IHME) 2015, GBD Data.

## The double challenge: Ageing and the burden of disease

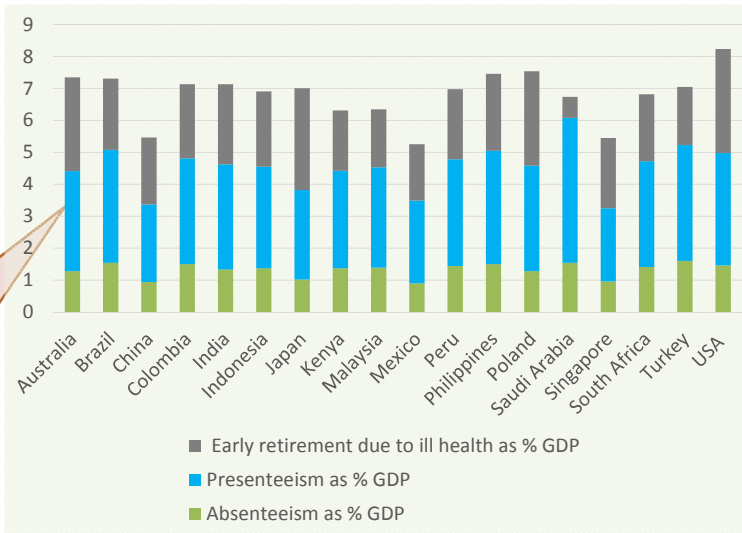
**Disease burden from NCDs by age (DALYs per 1000), APEC economies, 2013**



Source: Institute of Health Metrics and Evaluation (IHME) 2015, GBD Data.

## Productivity loss for those aged 50-64, 2015

**Absenteeism, presenteeism and early retirement, 18 selected countries**



Presenteeism, that is, sick but at work, is a far greater cost to productivity than absenteeism.

Presenteeism averages 3.3% of GDP, compared with 1.5% for absenteeism and 2.3% for early retirement.

Source: Rasmussen et al. 2016, Health and the Economy: The impact of Wellness on Workforce Productivity in Global markets. US Chamber of Commerce .



## Summary investment metrics for specific health treatments: WHO led / VISES studies

	Benefit-cost ratio (%)			Internal rate of return (%)	
	To 2030	To 2035	To 2050	To 2035	To 2050
Child and maternal health (1) (75 economies)		8.7	38.7	50.0%	50.2%
Mental health (2) (36 economies)					
Depression	5.3				
Anxiety disorders	4.0				

Each benefit cost ratio and rate of return well above usual ratios for infrastructure projects

Source: (1) Stenberg, Axelson, Sheehan et al. 2014, Advancing social and economic development by investing in women's and children's health: a new Global Investment Framework, *Lancet*, vol. 383, pp. 1333-1354.

Source: (2) Chisholm, Sweeny, Sheehan, Rasmussen et al. 2016, 'Scaling-up treatment of depression and anxiety: A global return on investment analysis', *Lancet Psychiatry*, vol. 3, pp. 415-424.



## Implications for public finances

- Health is a growing problem
- Returns to investing in health are high
- However difficult to capture those benefits for the budget
- Benefit to public finances are indirect (eg higher revenue from growth) and a long time coming
- Public funds are limited



While the case for increasing public expenditure is strong, need to look at alternatives that draw on private foundation and business support

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## Innovative health financing options

Fiscal measures	Financing	Risk sharing/pooling
Sin taxes <ul style="list-style-type: none"> <li>• Tobacco</li> <li>• Sugar</li> </ul>	Grants <ul style="list-style-type: none"> <li>• Global financing facilities</li> <li>• Crowd funding</li> </ul>	Universal health insurance
Airline ticket levies	Blended /hybrid capital <ul style="list-style-type: none"> <li>• Health impact bonds</li> <li>• Development bonds</li> <li>• Buffer fund</li> <li>• Product development partnerships</li> <li>• Loan facilities</li> </ul>	Partial / limited coverage health insurance
Financial transaction tax	Private capital market models	Micro insurance programs
Trademark-based revenue		Long term care insurance
		Health savings accounts

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## Innovative financing solutions for old health system problems

Existing health system problems	Alternative financing arrangements	Financiers/other financial supporters
High out of pocket costs	Health savings accounts	Consumer / employers
New program financing and productivity	Health impact bonds	Private investors/donors/ government agencies
Long term disabled/poor health	Long term care insurance (LTCI)	Private donors / government agencies/business partners
Low health coverage informal sector	Micro insurance	Private donors / government agencies/ business partners
Targeted innovations	Product development partnerships	Private donors / business
Neglected or under-resourced areas	Global financing facilities	Private donors / government agencies/ business partners

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## Global Financing facilities

### Global Financing Facility (GFF) for Every Woman, Every Child Global Strategy

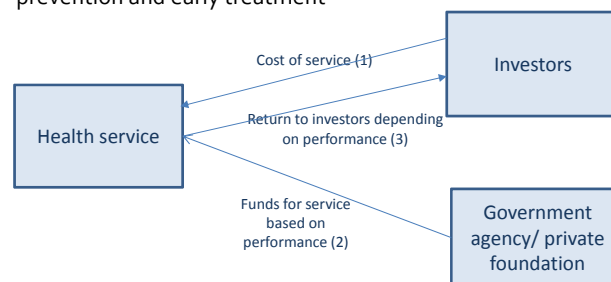
- launched in July 2015
  - \$29 billion committed to date
- Coordinated by the World Bank and involves a broad range of partners,
  - Private donors / government agencies/ business eg Gates, UN, national aid agencies .
- genesis is in the WHO led/ VISES study in which we calculated benefit cost ratios and rates of return for a set of child and maternal health interventions (Stenberg et al 2014)
- Aims to:
  - provide smart, scaled and sustainable financing to support country-led investment plans
  - secure universal access to essential services for every woman, child and adolescent by:
    - Ensuring that evidence-based, high-impact interventions
    - Mobilizing more than US\$57 billion

Source: World Bank The Global Strategy for Women's, Children's and Adolescents' Health (2016-2030), 2015

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## Social impact bonds

- Pay-for-performance model and a form of impact investment that focuses on prevention and early treatment



- Benefits:
  - improved performance and lower costs of public and social services;
  - greater innovation and uptake of new solutions;
  - accelerated knowledge exchange and sharing of 'best practice'

Source: Lehner, O. M. (Ed.). (2016). *Routledge Handbook of Social and Sustainable Finance*. Routledge

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## Health Accounts

- Health accounts are a savings account to which employee and employer contribute equally (6-8% for salary each in Singapore)
- Meets the cost of most ordinary out of pocket health expenses
- Insurance required for catastrophe health costs
- In Singapore Medifund meets health cost of poor and Eldersshield provides disability insurance
- Health accounts work well for those working in the formal sector with established employee/employer arrangements but is less effective with those in the informal sector

## Conclusion

- Poor health is a major drag on economic growth
- Chronic disease is a growing problem for many developing APEC economies
- The returns to investing in health are very high
- Private foundations represent a growing source of health funds for developing countries providing the benefits are well evidenced
- There are many innovative financing models
  - that can leverage relatively small amounts of government funding and/or international donor support,
  - to deliver sizeable health benefits to both mainstream and otherwise excluded population segments.
- Need to continue a more substantive dialogue with the Finance Ministers Process, ABAC, experts and other stakeholders to better understand the health and financial impacts of these innovative financing models



Thank you

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Appendix

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## Micro insurance

- Form of community based health insurance which provides broad coverage to farming communities and others outside the formal sector.
- Many affordable small scale context-specific schemes are operated in India with domestic foundation or international donor support
- A number have innovative design features to minimise fraud (electronic cards, finger print ID checks etc)
- Benefit packages are designed centrally but with significant local input
- Those operated by Grameen for instance, include a network of owned or designated private hospitals and clinics

Source: Dimovska et al, Innovative Pro-Poor Financing and Delivery Models. Washington DC, Results for Development Institute, 2009

## Long Term Care Insurance (LTCI)

- Provides cover for those with long term illness, injury or disability
- May be structured to include high-cost end-of-life care
- In many APEC economies there is little public support for those with disabilities that impact on employment
  - Definitions of disability are narrow and existing schemes provide low rates of compensation
- Catastrophe cover tends to meet immediate medical costs not ongoing income support
- The financial cost of disability which prevents or reduces working capacity is a major cost, which without insurance, falls heavily on effected families
- Long term care insurance can meet these costs and has the potential to be incorporated into individual retirement plans through immediate and deferred annuities and reverse mortgages
- Singapore's Eldershield is an example of a government engineered but privately operated LTCI scheme

Source: OECD, Help wanted? Providing and paying for long term cares, 2011 and Li and Jensen, The impact of Private LTCI on the use of long-term care, *Inquiry* 48:34-50

## Other financing mechanisms

- Buffer fund
  - Donor and commercial capital for catastrophic healthcare expenditures
  - Component of comprehensive insurance programs to protect household from major shocks to households from catastrophic illness
  
- Product development partnerships
  - A form of public-private partnership that focuses on improving health outcomes.
    - structured collaborations between the public and private sectors that create new pathways to treat and cure diseases that primarily affect developing country populations.
  - Have been used to address vaccine programs, microbicides