



Technical Brief Series - Brief No 4

USING RESOURCES WISELY

UNIVERSAL COVERAGE AND HEALTH SYSTEM EFFICIENCY

Moving towards or attaining universal health coverage in a population represents a major goal of public policy, requiring not only strong political will and leadership but also the commitment of substantial human, capital and financial resources. Put another way, providing access to a core set of health interventions for all those in need offers an optimal pathway by which overall health system goals of improved health and fairness in financing can be achieved - but it does not come cheap.

Given that available resources for health are always going to be limited - even in the wealthiest countries - it is important that they are used wisely or efficiently. An inefficient allocation or use of resources can only act as a forcible brake to governments' efforts to increase coverage, because it wastes or takes away time and money that otherwise could have been deployed to provide better access or services. At its most basic, efficiency in the health sector is about attaining the highest level of health possible with the available resources; commonly, efficiency is also assessed in more intermediate terms as the amount / mix of service outputs that can be produced for a fixed budget. Reducing inefficiency is not just about cutting costs; it may actually involve spending more money (such as paying health workers more in order to discourage them from supplementing their income with a second job that may cut into the working hours of their primary employment).

KEY SOURCES OF HEALTH SYSTEM INEFFICIENCY (AND HOW TO OVERCOME THEM)

No health system is perfect; all exhibit inefficiencies. Important sources of inefficiency include: the inappropriate use of resource inputs (such as excessive hospital stays or use of laboratory tests); the unnecessarily high cost of providing an intervention (brought about by, among other things, a reliance on brand-name drugs or a top-heavy staff mix); and the purchase or provision of (cost-)ineffective interventions. In this year's *World Health Report*, an effort was made to identify and quantify some of the most prominent causes of inefficiency; these are summarized in the Table below.

Category	Examples	Possible reasons	Efficiency loss (% health spending)	Efficiency loss (global value; US\$)
Human resources	Inappropriate / costly staff mix	Inflexible contracts; professional resistance	7-16%	> \$500 billion
Medicines & technologies	Under-use of generic drugs; counterfeit drugs	Weak regulation or procurement	2-5%	> \$100 billion
Hospitals	Inappropriate admissions and/or length of stay	Lack of incentive to discharge	3-11%	> \$250 billion
Leakages	Fraud and corruption	Low accountability and transparency	3-10%	> \$250 billion
Interventions	Inappropriate mix or level of intervention(s)	Historical spending patterns; new evidence not acted upon	10-20%	> \$700 billion
TOTAL			20-40%	> \$1,400 billion

Two of the 'big-ticket' items on this list include the cost of ***under-performing health personnel and health facilities***. Low-income countries, for example, could in principle save 12-24% of their total spending on health by eliminating hospital and workforce inefficiency. If all countries are included, the cost of these inefficiencies is estimated to exceed US\$ 750 billion per year. Improving working conditions and introducing incentives to health care providers - whether through a more appropriate matching of skills to tasks or by better aligning payment to performance - provide two overarching strategies for diminishing these losses (which are discussed in detail in the *World Health Report*).

A particularly irksome source of inefficiency relates to leakages out of the health system, most commonly as a result of ***fraud and corruption*** (estimated at a further US\$ 250 billion annually). Resources for health that are misappropriated for private gain distort and diminish the flow of inputs into the health system, and this compromises the capacity of the health system to attain the goals it sets for itself. The logical response to dealing with such waste is by strengthening health system governance, key principles of which include accountability, transparency and the rule of law. Core regulatory functions that can effectively combat budgetary and other leakages include registration, accreditation and licensing of health providers, facilities and products, respectively.

Beyond improving the way in which *inputs* to health care are optimized, there is also the broader question of how well the *outcomes* of health care provision are distributed among the population. Currently, a vast amount of global health resources are directed towards interventions that either generate little (or even no) health gain, or give bad value for money compared to other, evidence-based alternatives - at least 10-20% of all health spending (over US\$ 700 billion per year globally). To address this, consideration of what might represent the ***mix of services or interventions*** that maximizes health gain for the money available is required; this can be usefully informed by analysis of the relative costs, effects and cost-effectiveness of different health interventions. Most economic analyses focus on ways to address a particular

health condition, but a few have assessed how the efficiency of the health sector as a whole could be improved - notably the Disease Control Priorities Project (www.dcp2.org) and WHO's own CHOICE project (www.who.int/choice). The databases accrued through these projects provide increasingly clear economic evidence for what works and what does not work, evidence that can be readily tailored to the particular epidemiological and economic situation of individual member states via the application of CHOICE contextualisation tools.

BEYOND EFFICIENCY

As briefly discussed here, an inefficient use of resources can have a dramatic negative impact on health system performance and act as a serious impediment to attaining universal coverage. Fortunately, there are a number of clear remedial actions that can be taken to free up currently wasted resources and put them to better use. However, it is important to note that efficiency represents but one of many criteria that needs to be taken into account when allocating resources or determining priorities. In particular, a highly efficient allocation of resources may not be very fair; for example, it may not be so efficient to provide services in sparsely populated areas, but doing so gives access to people who would be deprived otherwise. This speaks to the need for careful and inclusive deliberation about how to develop health systems in a way that ensures not only good value for money but also equal access and financial protection for those in need (including the poor and the vulnerable).