

THE POLITICAL ECONOMY OF HEALTH FINANCING REFORM

Analysis and strategies to support universal health coverage



World Health
Organization

WHO Symposium on Health Financing for UHC: managing politics and assessing progress
9 October 2018, Liverpool, UK

Over the past two decades many governments have sought to promote equitable access to quality health services by reforming their health financing policies. However, broad agreement on the importance of health financing and its centrality to universal health coverage (UHC), has not translated easily into implemented reforms.

Health financing reform often involves complex interactions among many stakeholders of varying positions, power, and influence, within the health sector and beyond. In many cases, reform is politically contentious because it seeks to change sensitive distributions, as with entitlements and responsibilities of beneficiaries, or remuneration and working conditions of providers. Despite the significance of political economy factors in such reforms, there is limited analysis of the challenges that arise and the strategies needed to manage them.

Recognizing this gap, WHO's Department of Health Systems Governance and Financing, Health Financing Unit, initiated a program of work in collaboration with the Harvard T.H. Chan School of Public Health on Political Economy of Health Financing Reform: Analysis and Strategy to Support UHC. The overall goal of this program of work is to support countries in their efforts to implement health financing reforms that result in progress towards UHC. It will do this by:

1. Developing an analytical approach that enables policymakers and practitioners to identify key political economy factors related to health financing reform objectives;
2. Providing guidance as to how policymakers and practitioners can develop strategies to navigate the identified factors and increase the likelihood of implementing technically sound health financing reforms.

The approach we develop here is intended to complement technical decisions around health financing reform design and implementation. WHO's [Guide to Developing a National Health Financing Strategy](#) lays out key technical questions and issues to be addressed through reform measures to each of the interrelated health financing functions. By using this political economy approach as part of the overall health financing

reform process, the likelihood that technically sound policies are actually adopted and implemented should increase.

Health financing functions and reform principles

The starting point for health financing reform is technically-sound policies that can effectively support progress towards UHC. Health financing is one policy lever that influences the objectives embedded within UHC, which include improving equity in service use, quality, and financial protection [1]. Health financing is described typically with reference to four core functions: revenue raising, revenue pooling, purchasing health services, and benefit design [2].

Although every country requires specifically tailored health financing reforms, there are general “guiding principles” [3]; additional information can be found at www.who.int/health_financing/en/.

- Revenue raising: move towards predominant reliance on public (compulsory) revenue sources;
- Pooling: reduce fragmentation in across pools;
- Purchasing and benefit design: move towards more strategic purchasing of health services, including the alignment of payment mechanisms with promised benefits.

Brief description of political economy framework

To analyse the political economy challenges and solutions for health financing Campos and Reich have developed a framework using six dimensions of political economy [4], which are based on stakeholder groupings. Although we do not expect that every political economy dimension will be central in every reform, this framework can be used for collecting and organizing examples of political economy challenges that arise in health financing reforms. Examining patterns across such examples may reveal common themes for both problems and solutions. The six dimensions of political economy can be briefly described as follows:

Interest group politics (i.e. managing outside). This political economy dimension posits that interest groups will seek to influence health financing reform, at different stages of the policy cycle, in order to minimize their losses and maximize their gains from the reform. This category includes an analysis of the role and position of non-governmental stakeholders, such as health providers, their unions, industry groups, insurers and employers' groups or specific consumer groups, as well as the power dynamics between them and their relationships to politicians and policy makers.

Bureaucratic politics (i.e. managing within and around). This category focuses on interdepartmental dynamics within a government agency and relationships among different agencies within the government as critical to health financing reform efforts. Within agencies, bureaucrats who stand to lose from changes to the status quo may seek to slow down the reform process. Whereas, different government agencies may attempt to capture the reform as a way to protect or expand their authority, interests, budget, personnel or general influence in the health sector. In federal and decentralized settings, this dimension also involves power dynamics between central and subnational government authorities.

Budget politics (i.e. managing money). This category acknowledges that financial mobilization and allocation of public resources is inherently political. Issues related to overall tax administration and collection, as well as revenue allocation sit within the purview of finance authorities. As a result, the relationship between ministries of health and finance ministries is a critical factor in health financing reform. There can be competition with other sectors vying for their own budget allocations, and budget politics within national and sub-national legislative bodies may be influential on health financing reforms, as well [5].

Leadership politics (i.e. managing up). The prospects for reform are influenced by the commitment of political leaders to health financing reform and how they prioritize it relative to other issues. This category explicitly recognizes that commitment by political leadership affects perceptions of the benefits and costs of actions and results associated with a policy, thereby affecting feasibility. Related considerations include electoral cycles and party politics, which the

opportunity for reform. In decentralized settings, interactions with other political parties is a particularly important consideration, where officials affiliated with other parties who are in charge of a subnational governments may block the implementation of the reforms.

Beneficiary politics (i.e. managing down). This category considers the behaviours, preferences, and political activities of end users of the health financing system. This category particularly considers the role of ideas and ideologies, including, for example, how the health financing reform aligns with national values, identities, worldviews, or public opinion. It also acknowledges that access is not equivalent to utilization, and behaviour change for end users may be required. Finally, it considers social mobilization (or non-mobilization) of existing or potentially new beneficiaries, which can affect the political feasibility of reform proposals.

External actor politics (i.e. managing externally). Effectively implementing health policy in low- and middle-income countries (LMICs) (especially in low-income countries) can involve external actors, including bilateral, multilateral agencies, international financial institutions, and/or others. External actors may advocate distinct, and at times competing, programmatic goals and objectives, and typically use different criteria to inform their own resource allocation decisions [6]. Policy makers need to manage donors to align their contributions with national goals. Country ownership of implementation processes is important to promote such coordination. But the power dynamics of relationships with external donors can be unequal, and country priorities may be distorted.

Illustrative Application

To illustrate our approach we used the political economy dimensions to categorize experiences with consolidating fragmented revenue pools. The accompanying table summarizes common political economy challenges and strategies we identified in our review of literature, separated by political economy dimension. This illustrative, non-exhaustive table related to the reducing fragmentation in pooling presents retrospective examples, although we intend our methods to be used prospectively to inform real-time health financing reform implementation efforts.

References

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