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Sustainable Healthcare Financing for SDG3 in ASEAN-6 – *Executive Summary*

Jennifer Gill, Danitza Chávez, Caitlin Main, Aurelio Miracolo, Anna-Maria Fontrier and Panos Kanavos •
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Rationale

The United Nations Sustainable Development Goal (SDG) for good health and wellbeing (Goal 3) set targets for various aspects of healthy living and healthcare systems. One major component is the target for universal health coverage (UHC) where everyone can access healthcare services regardless of their ability to pay while avoiding catastrophic out of pocket costs. It is a step towards achieving “the enjoyment of the highest attainable standard of health” which, according to the 1948 WHO constitution, is a basic right for every individual regardless of socioeconomic, religious, political or racial status.

In order to achieve UHC, and other targets set out by the SDGs, governments’ need to overcome serious health financing challenges, ensure that existing resources are used as efficiently and effectively as possible and secure novel funding sources. Many countries in the Asia Pacific, as well a globally, are experiencing rising healthcare costs driven by increasing raw material costs, increases in the proportion of older people, technological advances, health system inefficiencies, income growth, the transition from infectious to chronic diseases in lower income countries and the disproportionate rise of labour costs compared to productivity growth. Furthermore, health systems generally have insufficient government funding for health and UHC and out-of-pocket (OOP) spending remains high. Aging populations also have consequences for the value of funds raised from the working population due to a shrinking taxable workforce. The ability to raise sufficient funds for UHC in light of these issues is a major challenge. **A key aim should be the creation of fiscal space – the creation of capacity in their (national) budgets that can be used for specific purposes without compromising their financial stability and sustainability.** In general, both fiscal space and UHC are political, rather than technical issues and securing political will is key to achieving progress.

Objectives and methodology

We identified the health financing challenges faced by ASEAN-6 countries – Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam - explored both traditional and innovative health financing methods that may be beneficial for ASEAN health systems to achieve SDG3 and UHC. We aimed to answer four underlying research questions: 1). What progress has been made toward SDG3 goals in ASEAN-6? 2). What are the key organisational and financial challenges in each healthcare system? 3). How large is the fiscal gap in the countries of interest? And 4). What financing mechanisms are acceptable to increase fiscal space for healthcare?

A combination of primary and secondary data sources (A) analysed specific aspects of each country’s health system; (B) assessed their macroeconomic performance over time; (C) assessed their progress with a selection of SDG3 goals; (D) garnered stakeholder opinion on the challenges facing the country health systems; (E) determined stakeholder perception of different scenarios relating to funding healthcare services, ranging from raising additional taxes to more innovative options like annuity funds; and (F) developed a number of policy options for healthcare systems to build fiscal space. The primary output of this paper relates to country healthcare challenges, perception of innovative healthcare financing mechanisms and policy options. The remainder of this summary focuses on these outputs.

Assessment of key challenges for achieving UHC

A web-Delphi (Welphi) process was used to gauge the opinion of stakeholders in the countries of interest on 35 potential challenges related to healthcare. Five different types of healthcare challenge were analysed:

1. General and UHC-related challenges

The increasing proportion of the elderly population and resultant increased levels of NCD were seen as key challenges to UHC due to higher utilisation of healthcare resources. This points towards a need to switch the focus of healthcare systems in the region from curative towards preventive and self-care via increased investment in primary health care. Ineffective prioritisation and institutional rigidity within the health system might make this difficult in some settings.

2. Challenges related to UHC financing

High OOP payments, reduced financial resources and reduced access to innovative medicines concerned those from all countries investigated other than Singapore, which has a relatively high-income, a pre-existing reliance on private health insurance and successful medical savings accounts (MSA).

3. Challenges related to the implementation of UHC

Issues related to consistency in government, the underutilisation of progressive information technology within the health system, unequal distribution of healthcare facilities and issues both producing and retaining sufficient numbers of high-quality healthcare professionals were common across the countries.

4. Challenges related to the supply of services

Increasing raw material, energy, labour and transportation costs as a result of rising inflation, time-consuming pricing and reimbursement process, and differences in the benefits offered by different health insurance schemes were highlighted as challenges across the countries.

5. Challenges on the health system demand side

In general, the quality of healthcare services provided through UHC was thought to be good. The only outlier here being Indonesia. The lack of performance incentives within healthcare was the only demand-side challenge shared across the majority of countries. Issues relating to generic prescribing, co-payments and informal payments to healthcare professionals were not thought to be relevant in the countries looked at here.

Increasing Fiscal Space

The concept of fiscal space has become increasingly popular in policy discussions, both nationally and globally. It must be taken into account as countries move towards UHC. It can be created by both increasing the efficiency of existing healthcare expenditure and generating additional funds through a variety of methods. Using the Delphi process, country stakeholders assessed the feasibility of various financing mechanisms for generating fiscal space. Leveraging these outputs and literature insights, the analysis emphasises consensus-based factors (over 70% agreement/disagreement). A mix of traditional, innovative and efficiency improving mechanisms were explored.

Traditional mechanisms

Eight mechanisms, including taxation policies, health insurance, and social protection, were assessed through the Delphi exercise. Notably, consensus emerged around 'sin taxes,' with 98% overall agreement on their implementation. Sin taxes, placed on items like alcohol, tobacco, and unhealthy foods, have been successfully deployed in a number of contexts, such as the implementation of the Philippines' Sin Tax Law. Other tax-related mechanisms such as environmental and luxury goods taxes garnered varying degrees of agreement. Importantly, implementation of, or modest increases in, user charges received limited support, reflecting limited evidence supporting beneficial impacts of their implementation. The partial privatization of healthcare and MSAs also saw mixed agreement. Notably, MSAs garnered 100% agreement from Singapore participants, aligning with Singapore's use of MSAs within its healthcare system.

Innovative mechanisms

Our analysis looked at six innovative financing models, including annuity models, risk-sharing agreements, health and social impact bonds (SIB), windfall corporation taxes, earmarking GDP gains for healthcare investment, and taxing inbound medical tourism. Whilst not an exhaustive list these financing options were thought to be the most relevant. Risk-sharing agreements (RSAs) were attractive to respondents from all countries. These performance-based contracts track performance in specific populations over a specific period of time, and utilise agreed-upon measures, either financial or outcomes-based. There are caveats to their utilisation, related to, for example, companies being penalised for exceeding volume-based RSAs whilst trying to meet patient/market needs in situations of domestic shortage. To prevent such unintended consequences, RSAs should be designed in consultation with manufacturers and suppliers. Earmarking GDP gains to healthcare was attractive to all respondents, despite polarizing debates surrounding such actions. Earmarks are often criticized for introducing budget rigidity, distorting the economy and limiting the implementation of countercyclical policies, but countries may find earmarking attractive for a variety of reasons. The use of annuity bonds (financial models which can provide a regular income stream in exchange for a lump sum or periodic payments) and health and SIBs (which leverage private capital to fund health, social and development programs based on achieved outcomes) seemed less attractive to stakeholders from Singapore, Thailand, and Viet Nam, perhaps due to them being less understood. Their utilisation could play a valuable role in enhancing the fiscal space available for healthcare in southeast Asian countries. Furthermore, the focus on measurable outcomes ensures incentives for high performance building accountability within the health sector. Countries must ensure that they have robust data collection facilities in place in order to successfully implement these innovative financing options. The concept of blended financing, which combines public and private funding sources, presents a promising avenue for advancing healthcare financing goals in the ASEAN-6 region.

Efficiency mechanisms

Efficiency mechanisms play a crucial role in the creation of fiscal space, allowing governments to reduce waste within the healthcare system, maximize the impact of available resources and ensure the efficient utilization of public funds. There was an overarching level of agreement for each of the ten efficiency mechanisms put to respondents suggesting an acceptance that improving efficiencies is an effective way to build fiscal space for healthcare. Examples included the implementation of tools for efficient resource allocation based on the clinical and cost effectiveness of a medical technology, using international reference pricing (IRP) in pricing negotiations to achieve affordable medicines prices (although there are caveats here related to the potential impact of IRP on patient access and global innovation), the introduction or expansion of the national essential medicines list to cover more therapeutic areas, improved health system digitalization and effective regulation and investment in citizen and patient awareness programs. Additionally, stakeholders advocated for the establishment of independent monitoring of health agencies. Stakeholders were less likely to agree with the reallocation of resources from other areas to healthcare, suggesting that this is not a feasible manner in which to build fiscal space for healthcare.

Policy options for increasing fiscal space for healthcare

Decision-makers faced with increased pressure to accelerate towards the goal of UHC and other SDGs need to focus on raising additional resources to fund health services, whilst at the same time reducing wastage in healthcare systems and working towards improving the efficiency with which existing resources are utilized. There are a number of spaces where improvements can be made to enhance the progress made with UHC development, specifically in the six countries of interest here, but also in the wider ASEAN region. The need for sustainable healthcare financing is particularly important in a global economy experiencing increasing material and other costs due to inflationary impact and in countries with significant NCD-related morbidity and mortality. Declining healthcare revenue, as a result of population aging, further supports the need to overcome serious health financing challenges and establish sufficient and sustainable funds to achieve the targets set out by the SDGs by 2030.

Recommendations for ASEAN healthcare systems

Healthcare systems that have traditionally focused on curative, emergent actions rather than preventive services have become less adequate as the primary causes of morbidity and mortality have shifted towards NCDs. These developments must trigger change in the structure and focus of the healthcare system to allow it to work as effectively as possible for the people it serves. As such there are a number of recommendations, based upon the existing literature and identified following consultation with stakeholders, that healthcare systems in ASEAN can work towards:

1. Give high priority to achieving full population coverage with an affordable package of services delivered via effective primary care services with an increased focus on primary and secondary prevention.

Ensuring all members of the population, no matter their geographic location or socioeconomic status, have access to a specific level of service, should be the primary goal of all countries in the region. As primary health care is the most cost-effective, inclusive and equitable approach with the capability to deliver almost 90% of essential UHC interventions, it should be the core focus to improve access to healthcare for previously underserved / disadvantaged members of the population and protect vulnerable people from catastrophic out-of-pocket payments.

2. Improve health system capacity by building additional primary care infrastructure and addressing human resource gaps.

An essential component of any efficient health system is the presence of an effectively trained and motivated healthcare workforce, with even distribution across rural and urban areas. There must be suitable training opportunities for future and existing healthcare workers to ensure they can keep pace with developments in healthcare and medical technologies. Incentives should reduce the 'brain-drain effect' and, for nearer term results, governments could consider making it easier for foreign nationals to work within their countries.

3. Develop processes to objectively determine value of innovation

Innovative medicines have revolutionized the way certain diseases are managed and treated. Despite this, stakeholders in some countries may be concerned about the impact of price on their ability to offer affordable access to those who need them. The focus of all countries should be on increasing the 'value of spending' to ensure that maximum value is achieved from any expenditure. In order to effectively regulate this, countries need to ensure systems are in place to objectively determine value.

4. Enhance investment in and utilization of effective digitalization in the healthcare system.

Significant advancement in information technology, digitalization and artificial intelligence (AI) has been seen over the last decade but its utilization in the healthcare space lags behind. Mobile devices, 'wearables' and apps could revolutionise diagnosis, disease management and patient awareness. Countries need to ensure they keep pace with advancements and have sufficient data governance procedures and regulatory policy to utilize digital information in the healthcare space effectively.

5. Ensure the focus on UHC is cross-government, engages external stakeholders including civil society and the private sector and that political will translates into actionable and measurable outcome.

There is no doubt that the Ministries of Health of the countries studied here have UHC firmly set as a political priority. But it is important to note that UHC is not the responsibility of Health Ministers alone. The nature of health is that our environment, socioeconomic status and genetic predisposition all play a role and as such healthcare should not be thought of as 'in silo' but should be considered in an interlinking manner with other aspects related to the social determinants of health. Cohesive action is required across government and must include action by ministers of health alongside those of finance, environment, labour and education among others.

Recommendations to build fiscal space for healthcare

In order to achieve the recommendations above and to effectively recover from COVID, fiscal space must be created and / or expanded, particularly in countries still progressing towards UHC and attainment of the other SDGs. Countries must focus both on raising additional resources to fund health services, whilst at the same time working towards improving the efficiency with which existing resources are deployed. Any method for building fiscal space has potential policy implications related to the political feasibility / acceptability, revenue raising capacity, level of equity and finally the macroeconomic and microeconomic impact of the recommendation. These have been identified below with each recommendation graded using the following values: ○ no impact; ◐ minimal impact; ◑ moderate impact; ◒ considerable impact; ◓ very significant impact:

- 6. Pursue innovative financing models with the private sector to attract additional resources into the health system and fund specific programmes.** The private sector can be engaged to raise resources for UHC, both via foreign investment and blended financing mechanisms using a range of innovative financing mechanisms. Public-private partnerships (PPPs) can be utilized to pursue UHC programs or improve infrastructure within the health system. To effectively implement and exploit innovative mechanisms with the private sector, governments must ensure that mechanisms for blended finance are strengthened and that legislation allows for their development and implementation. Furthermore, local stakeholders should be fully engaged in a collaborative design approach to ensure feasibility in local contexts, and stakeholders must be prepared to regularly monitor and evaluate the effectiveness and impact of the agreements.

Political Feasibility	Revenue Raising Capacity	Level of Equity	Positive Macroeconomic Impact	Positive Microeconomic Impact
◓	◑	◑	◑	◑

- 7. Use of taxation with automatic earmarking for the health sector.** Utilizing taxation, while demanding political resolution, holds potential for bolstering the health sector. Strategic earmarking of taxes, coupled with effective communication, can enhance the appeal of such measures to the public and policymakers. Beyond yielding moderate fiscal gains, increased taxes on alcohol, tobacco and high-fat, salt and sugar foods (HFSS) can convey purposeful policy and political messages, acting as deterrents to consumption.

Political Feasibility	Revenue Raising Capacity	Level of Equity	Positive Macroeconomic Impact	Positive Microeconomic Impact
◐	◑	○	◐	○

- 8. Reduce the burden of OOP to prevent catastrophic health expenditure.** Any health financing scheme dominated by OOP will never achieve UHC. Therefore, the main focus of governments in the region should be to ensure that healthcare financing arrangements are such that extensive or significant OOP payments are not required at the current level.

Political Feasibility	Revenue Raising Capacity	Level of Equity	Positive Macroeconomic Impact	Positive Microeconomic Impact
◑	○	◑	◑	◓

- 9. Enhance efficiencies in healthcare systems to ensure effective utilization of resources.** Increasing the efficiency of available resources is central to fiscal sustainability to reduce waste in the healthcare system. Options include increased utilization of digitalization, expanding the essential medicines list to reduce the inappropriate use of drugs, developing policies to encourage appropriate prescribing alongside the strengthening of national medicine agencies to ensure the quality of generics and increase public trust.

Political Feasibility	Revenue Raising Capacity	Level of Equity	Positive Macroeconomic Impact	Positive Microeconomic Impact
◑	○	◑	◑	◐

10. Develop processes to ensure that premiums or contributions, as well as income tax payments, are collected effectively from those working in the informal sector. With up to three quarters of all employment being made up of informal employment without taxable income, tax revenue and/or contribution collection can be extremely challenging. A reduced eligibility for social health insurance can also mean that those working informally are outside the government’s social safety nets and pay high OOP costs. As governments work to increase tax collection among the informal sector, efforts need to be directed simultaneously to ensure effective collection of social health premiums and income tax premiums.

Political Feasibility	Revenue Raising Capacity	Level of Equity	Positive Macroeconomic Impact	Positive Microeconomic Impact
●	●	●	●	●

Country specific priorities

Many of the recommendations described above are applicable to all of the countries of interest here. As some countries are more advanced than others in terms of addressing healthcare challenges and developing sustainable financing options for healthcare there are specific recommendations that countries should prioritise. The table below identifies key priorities for each country. Closed circles (●) indicate that the country must give full priority to the recommendation in question; ‘●’ means that, whilst some minimal progress has been made in the area, significant action is still required; ‘○’ indicates that moderate progress has been seen in the country but there is still room for action; ‘○’ means that significant progress has been made in the country but there is still room for improvement; and finally ‘○’ means that the country has managed to realise the recommendation so no additional work is required.

One important point to note is that, for all recommendations, governments must start with what is easily and quickly achievable. The development of demonstrative pilot projects, or the realisation of certain recommendations on a regional basis, particularly in countries with decentralized healthcare, may be more appealing to governments. Similarly, what is considered to be innovative in one country may already be ‘tried-and-tested’ in countries that are further along in the process. There is no ‘best practice’ solution for all countries, rather a need to tailor strategies to each country’s unique healthcare challenges and readiness for reform.

	Ind	Mal	Phil	Sing	Thai	Viet
Health system improvement options						
1. Give high priority to achieving full population coverage with an affordable package of services delivered via effective primary care services with an increased focus on primary and secondary prevention	●	○	●	○	●	●
2. Improve health system capacity by building primary care infrastructure and addressing human resource gaps	●	●	●	○	●	●
3. Develop processes to objectively determine the value of innovation	○	○	○	●	○	○
4. Enhance investment in and utilization of effective digitalization in the healthcare system	●	●	●	○	●	●
5. Ensure the focus on UHC is cross-government, engages external stakeholders including civil society and the private sector, and that political will translates into actionable and measurable outcome	○	○	○	○	○	○
Options to build fiscal space for healthcare						
6. Pursue innovative financing models with the private sector to attract additional resources into the health system and fund specific programmes.	●	●	●	○	●	●
7. Use of taxation with automatic earmarking for the health sector	○	○	○	○	○	●
8. Reduce the burden of OOP to prevent catastrophic health expenditure	●	●	●	○	○	●
9. Enhance efficiencies in healthcare systems to ensure effective utilization of resources	●	●	●	○	●	●
10. Develop processes to ensure that premiums or contributions are collected effectively from those working in the informal sector	○	○	●	○	○	●