



HEALTH FINANCING CHALLENGES EXPERIENCED EARLY IN THE CRISIS & INITIAL POLICY RESPONSES

Budgetary and Health System Actions to Combat COVID-19

(10)(2e)

Health Division

OECD Joint Network of Senior Budget and Health Officials, 17 September 2020





Sub-national governments (SNGs) & health insurance agencies also played key financing roles



SNGs – additional spending on Covid-19

- 12 of 37 OECD members (countries where SNG has major responsibilities for health)
- e.g. (10)(2a) government set €115m for health and social sector



SNGs – transfers received from central government

- 15 of 37 OECD members (includes countries with both federal and unitary governments)
- e.g. (10)(2a) – special support for Daegu City and North Gyeongsang Province



Compulsory health insurance agencies – additional spending on Covid-19

- Main source of health financing in 23 of 37 OECD members
- e.g. (10)(2a) – €5bn Protective Shield for hospitals from insurance funds & federal govt



Compulsory health insurance agencies – transfers received from central government

- Transfers help compensate for additional Covid-19 expenses
- e.g. (10)(2a) – flat-rate subsidy of €60m provided to insurance funds



The health financing response – joint actions from budget and health officials

Plan

- Estimate **resource needs** for health system response
- **Reprioritise** public spending → Identify basis of **additional funds**
- Revise **budget modalities**

Implement

- Boost **surge capacity** (staff, supplies, space)
- Adapt cost recovery policies to **support vulnerable groups**
- Ensure a **coordinated response** across government

Review

- Adapt **accountability** requirements
- **Evaluate** effectiveness of government policies



Selected example: reprioritisation & additional funds

- Reprioritisation
 - Across government: review expenditures on cancelled activities
 - Health-specific: postponing elective care, re-specifying hospital discharge criteria (offset in part by telemedicine)
- Additional public funds
 - Supplementary budgets (amendments requiring parliamentary approval)
 - Contingency funds (immediate funding on limited timescale)





Selected example: boosting surge capacity

- Health workforce
 - ‘reserve lists’, recalling inactive and retired health professionals, mobilising students, transfer of staff to badly affected localities
- Hospital/ICU capacity
 - transforming other wards into ICUs, creation of field hospitals, partnerships with private hospitals, transfer of patients to localities with spare capacity
- Supplies
 - emergency contracting rules, joint procurement, managing risks in supply chain, temporary trade measures





Building health system resilience requires sustained resources that are spent on the right interventions

Resilience as ability to anticipate, absorb, adapt & recover

- Review what responses have worked and what haven't
- Identify bottlenecks and priority areas for additional funding
- Clarify roles and responsibilities across government agencies
- Assess fiscal feasibility of reform options

Close dialogue and agreed approach between health and budget officials critical to tackling the ongoing pandemic





THANK YOU



MEDIUM-TERM CHALLENGES AND IMPLICATIONS FOR UPCOMING BUDGETS

Budgetary and Health System Actions to Combat COVID-19

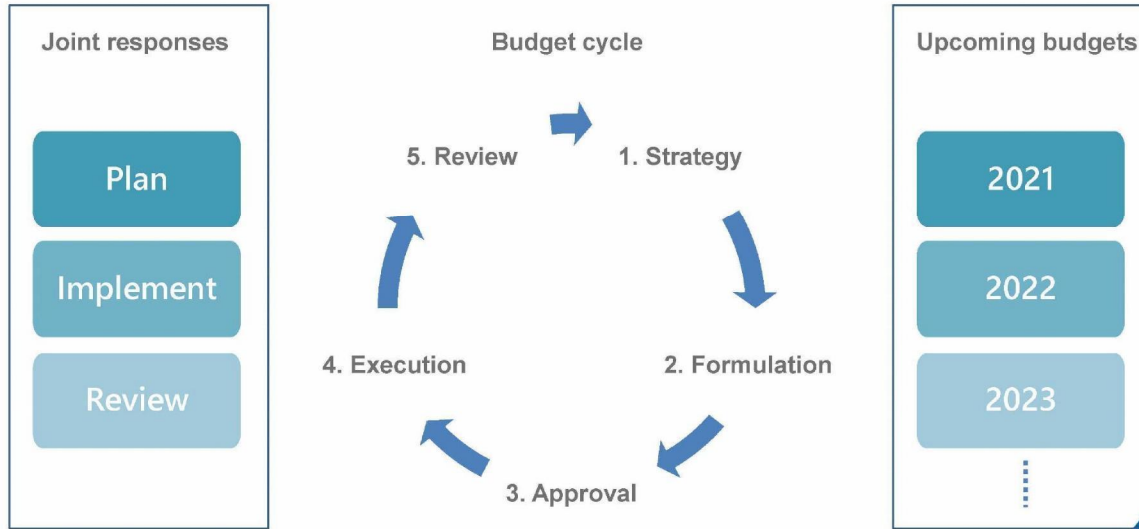
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Implications for the budget cycle





1. Budget strategy

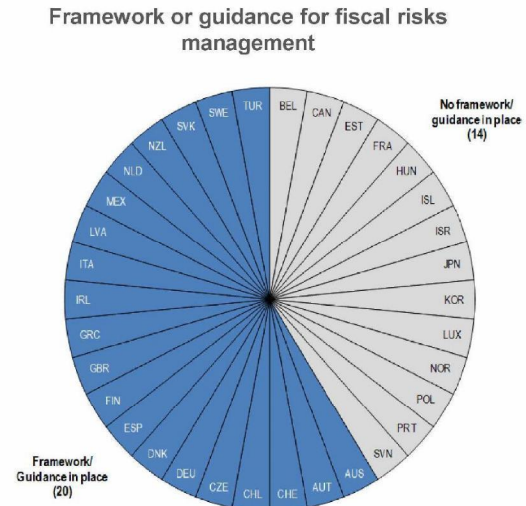
- Estimating the resources needed in the health sector to achieve high-level priorities:
 - Assessments linked to needs and outcomes over the medium term
- Establishing parameters on resilience and sustainability
- Reviewing existing expenditures
- Assessing the implications for financing caused by macroeconomic uncertainties

Good practice examples



2. Budget formulation

- The demand for public expenditure has increased
- Programme budgeting provides flexibility and can align to outcome frameworks
- Enhancing fiscal risk frameworks for budgeting is a priority activity



Source: OECD (2019) Budgeting and Public Expenditures in OECD Countries



3. Budget approval

- Parliamentary debate and approval underpins the legitimacy of changes to expenditure and supports trust in government
- Independent fiscal institutions performed a vital role at the onset of the crisis and continue to do so:
 - Costing expenditure proposals
 - Promoting accountability and transparency
 - Analysing the medium-term effects

Good practice examples





4. Budget execution

- Co-ordinated responses across government and levels of government are an area of focus
- Investment in health facilities remains challenging:
 - Temporary facilities
 - Permanent requirements
- New expenses and functions are still evolving:
 - Health and wellbeing of frontline personnel
 - Track and trace responsibilities
 - Research into vaccines

Good practice examples





5. Budget review

- Many countries are establishing systems for the medium-term to track expenditure related to COVID-19
 - Charts of accounts
 - Programmes
 - Comprehensive financial reporting
- Adapt programme and performance frameworks to reflect changes to the operating environment
- Emphasis on ex post reviews, including external audit

Good practice examples





Adapting spending reviews to the health sector

- A political and administrative process to review baseline expenditures
- Conducted jointly by ministries of finance and health (and relevant stakeholders)
- Objectives centre on:
 - Improving control over aggregate expenditure
 - Improving prioritisation within a sector
 - Improving the efficiency of programmes
 - Managing potential risks

Good practice examples





Concluding observations

- The budgetary challenges from COVID-19 are a medium-term challenge not a 2020 challenge and exist at each stage of the budget cycle
- COVID-19 highlights pre-existing challenges in the health sector, specifically on equity, performance, resilience, sustainability and the management of risk
- The recovery is a time to critically assess the budgetary challenges through a sustained and collaborative effort across ministries of finance and health
- Some of the budgetary tools available to ministries of finance and health warrant a fresh look to ensure they help institutions with the challenges:
 - fiscal risk management
 - performance and planning frameworks
 - spending reviews



Thank you



General discussion points

In your country...

1. How has Covid-19 affected preparations for the health budget in 2021 and beyond?
2. What are the key bottlenecks to building health system resilience to Covid-19? (e.g. priority areas for additional funding)
3. How have review and accountability mechanisms been adapted in light of Covid-19?