



National Health Insurance

FISCAL SPACE ANALYSIS (study)

NATIONAL HEALTH INSURANCE
BELIZE

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National Health Insurance

OUTLINE

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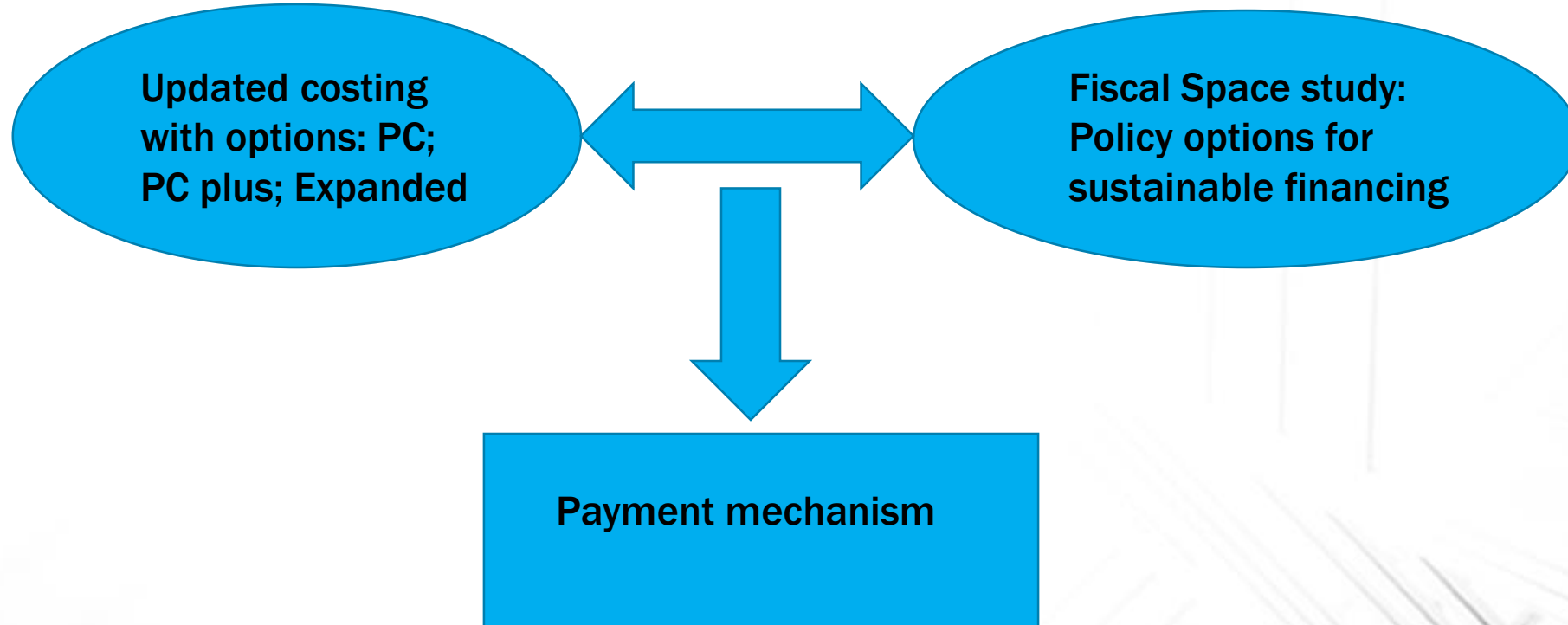


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BACKGROUND

- Health Sector Reform recommendation as a financing mechanism for Health: Implementation of **National Health Insurance (NHI) in 2001**, initially as a pilot project, then rolled out to the Southern Region, then to the Northern Region over a period of **15 years**.
- Although **results were resoundingly positive**, a lag in its extension to the rest of the country has generated **inequalities between members and non-members and led to duplicities**, which counters the trend towards better allocation of resources.
- Fundamental challenge to roll out has been a clear sustainable financing option. Initially funded from SSB Sickness benefit/E.I funds (\$54 million Bze dollars or \$27 million US); then in 2008 from General Revenue.
- The main reason for this delay is the **lack of a clear, analysis-based strategy to fund the scale-up**.
- Last year, request to do a Fiscal Space Study, costing analysis, and Policy Document to submit to Government for decision.

Conceptual framework





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CONTEXT

- **The demographic and epidemiological transition** has ushered in a more complex and demanding set of sectoral requirements yet maintain the challenges of infectious diseases.
- On positive note the **national health care system is less segmented than others;**
- **The population of Belize is small** (less than four hundred thousand), a **universal health insurance model is the most appropriate since it would distribute risk and administrative charges equitably among inhabitants.**
- **Sustainable Development Goals as a major driver, with Universal coverage and Access as the core strategic objective.**



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OBJECTIVES OF STUDY

- The aim of this study is to provide information for policy options to scale up the National Health Insurance program.
- The literature on Fiscal Space Analysis (FSA) in the specific area of health investments is relatively recent. It is defined as “the capacity of government to provide additional budgetary resources for a desired purpose without any prejudice to the sustainability of the country’s financial position or the economy’s stability”.
- In other words, fiscal space “attempts to make up the gap between the current level of expenditure and the maximum possible income without harming the country’s solvency”.

Methodology

- Comparison of different indicators with 3 sets of countries:
 - British Caribbean (Bahamas, Barbados, Jamaica, T&T, Guyana)
 - Central American
 - Set of small countries with similar characteristics (Mongolia, Albania, Cabo Verde, Maldives, Macedonia, Montenegro)
- Analysis of indicators based on data from MOF, MOH, Statistical Institute of Belize, and other sources such as World Development Indicator publications.
- Stakeholder analysis to determine perceived level of power and support for NHI (questionnaire)



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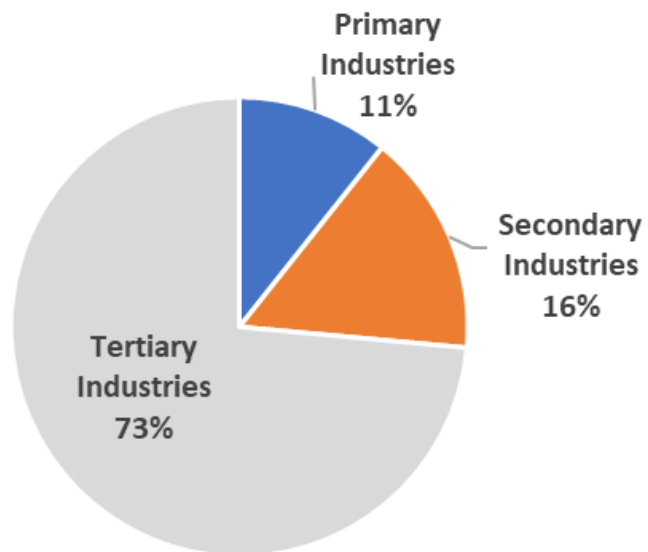
FISCAL SPACE: (Potential Sources)

- I. Economic growth and stability,
- II. Identification of new taxes or higher collection of existing taxes,
- III. Taxes on unwholesome products (alcoholic beverages, sweetened beverages, tobacco, etc.),
- IV. Creating or improving collection of social security contributions (paid by both employees and employers),
- V. Cross-sectoral reallocation of resources on the national budget
- VI. Reallocation of resources within the health care sector,
- VII. including the possibility of efficiency gains,
- VIII. Loans, national or external debt, donations,
- IX. Inflation.

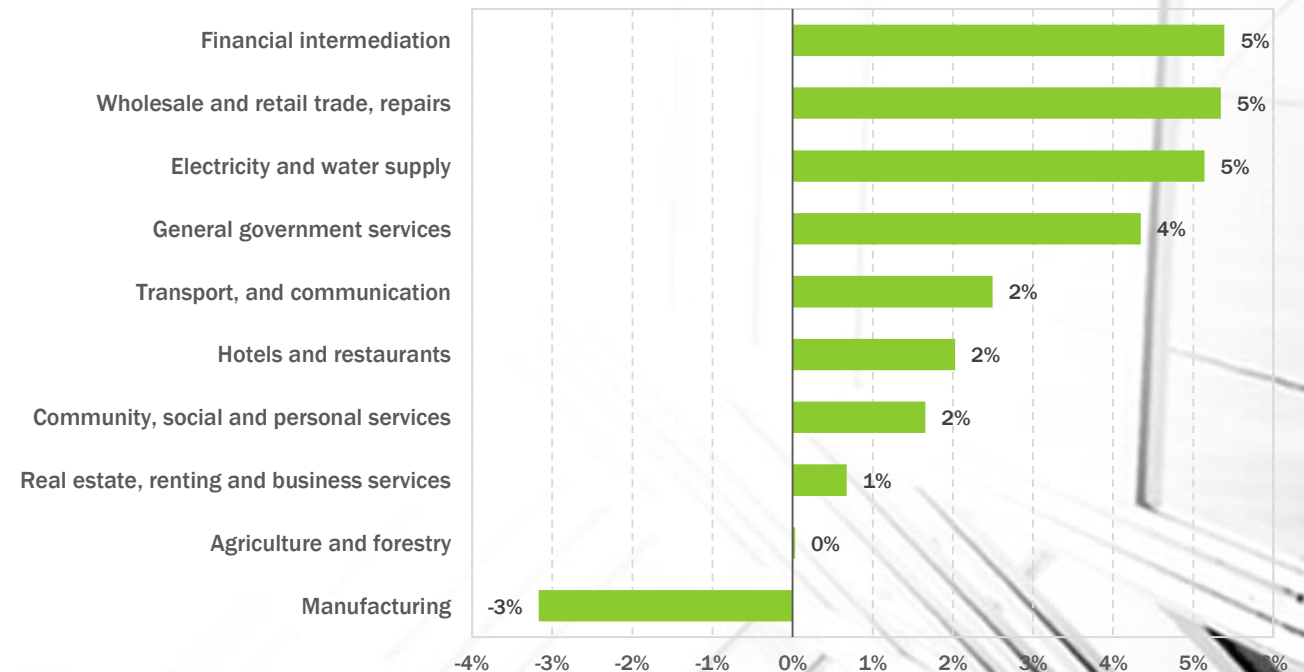
Belize Economic Profile

Within the tertiary sector, wholesale and retail trade account for one fourth of GDP, followed by financial services and government services, with shares of 13% and 12% respectively. Together, transportation, communications, and telecommunication produce about 22% of the GDP.

Belize, GDP composition - 2016



Belize, Top 10 Contributors to National GDP - 2016
(in order of mean growth 2007-2016)

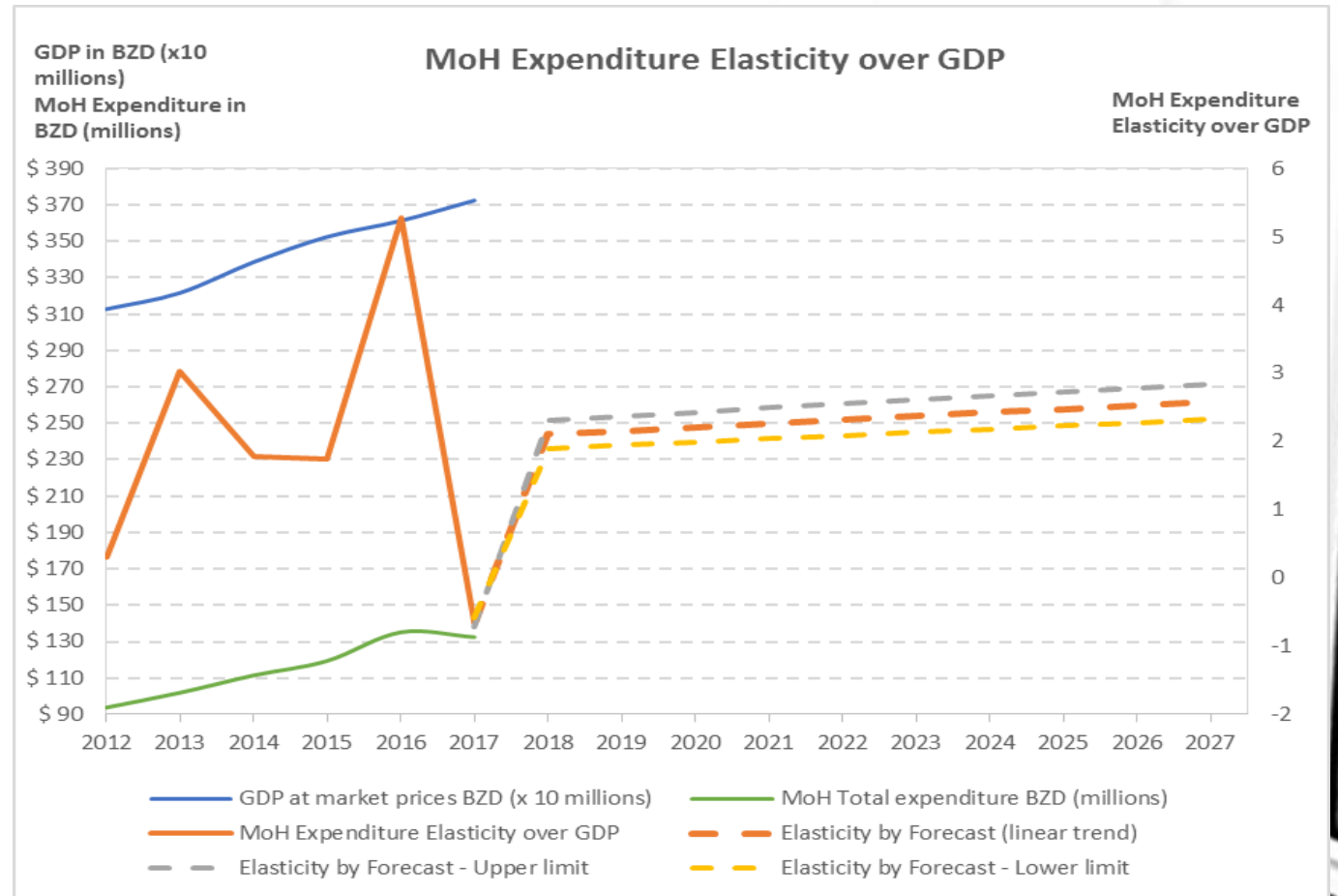


ECONOMIC GROWTH

- Belize's economic growth has been relatively modest during the last fifteen years 8% between 2002 and 2006 (WDI).
- During the same period, wealth per capita grew in other Central American countries. Notwithstanding, Belize ranks third in GDP per capita among its neighbors on the Central America isthmus.
- Therefore, the country appears capable of producing a relatively positive fiscal space scenario for NHI expansion.
- Growth rate in 3 sets of countries was used to apply annual growth rate. 1.5% over GDP in constant Bze dollars.

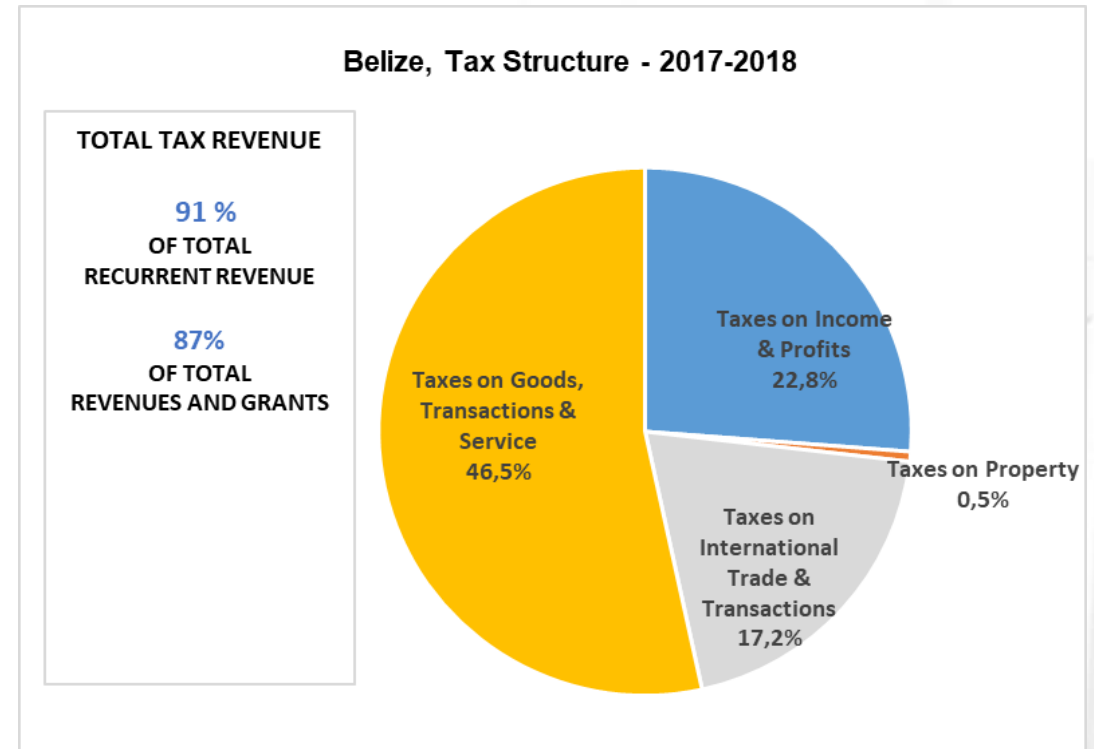
ECONOMIC GROWTH

- To measure potential gains from growth allocated to the health care sector, the elasticity of public health expenditure over GDP was calculated for the period 2012-2017.
- Investment in health based on growth showed an extremely elastic responses in 2013 and 2016.
- Average elasticity values were projected, reaching an elastic ratio. This projected health response to growth will be applied to the different scenarios possible in our proposal for the national fiscal space strategy in health.



Taxes

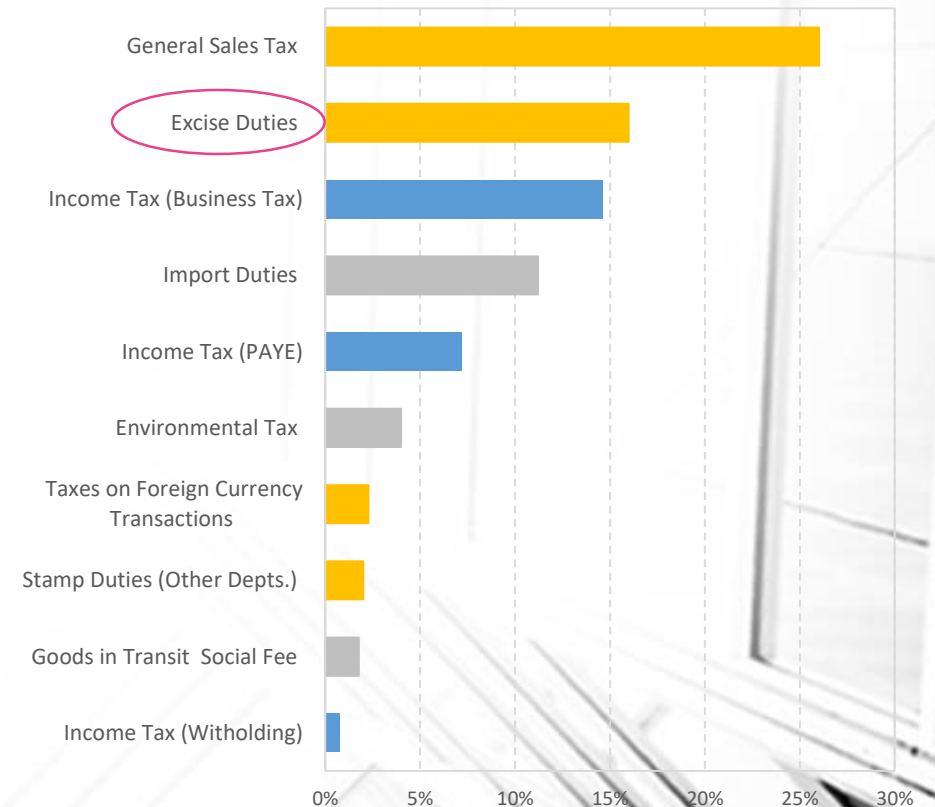
- Taxes as the main source of income in a fiscal space strategy.
- At present 46.5% of taxes in Belize come from goods, transactions, and services; income and profit taxes together contribute 22.5%.
- On the basis of comparison with other countries, two main taxes might be used as potential sources of fiscal space: **income taxes** and **general taxes**. The level of support for each varies. Two scenarios were considered in the simulation exercise: a 1% (moderate) increase in each tax, and a 3% (expanded) increase.



EXCISE DUTIES (TAXES ON unwholesome PRODUCTS)

- Taxes on unwholesome products involves increasing fiscal revenue and incentivizing reduction in consumption of addictive or health-harmful products, serving for public health policy purpose .
- Excise taxes are the second source of GDP revenue, although usually levied on fuel and, to a lesser extent, on products like alcohol, tobacco, and soft drinks.
- **These products are not taxed at a high rate in Belize, and there is a solid argument for their inclusion.** A series of multivariate analyses was performed to identify how elastic/inelastic the demand for these products is and how taxing them might affect Belizean households.
- The price elasticity of demand for alcohol, sweetened beverages, and tobacco was calculated on the basis of Household Surveys to come up with two alternative scenarios in the simulation analysis: a **10% (moderate)** increase in revenues from unwholesome products taxes, and a **15% (expanded)** increase.

Belize, Top 10 Taxes on Total Revenues and Grants - 2017-2018



Social security contributions

- Social security contributions have been a strategic source of income for the health care sector in Latin America: the middle and upper-middle income population that holds formal jobs subsidizes poorer groups.
- Labor tax and contributions (as % of commercial profits) is 5 % for Belize (WDI, 2014). That share is 13.3% in average terms for the 17 selected countries used as comparison.
- Two alternative scenarios were envisioned:
 - (i) a moderate increase in social security contributions, equivalent to half the gap between the average percentage implemented in the set of the comparison countries selected and the current tax in Belize, and
 - (ii) the expanded scenario, where a social security contributions equivalent to the full gap between Belize and the other countries is implemented

Reprioritization of funding for health

- The analysis of Gov budget indicate that 3 main sources of transfers could be achieved:
 1. General Administration,
 2. Defense and Security,
 3. Economic Services.

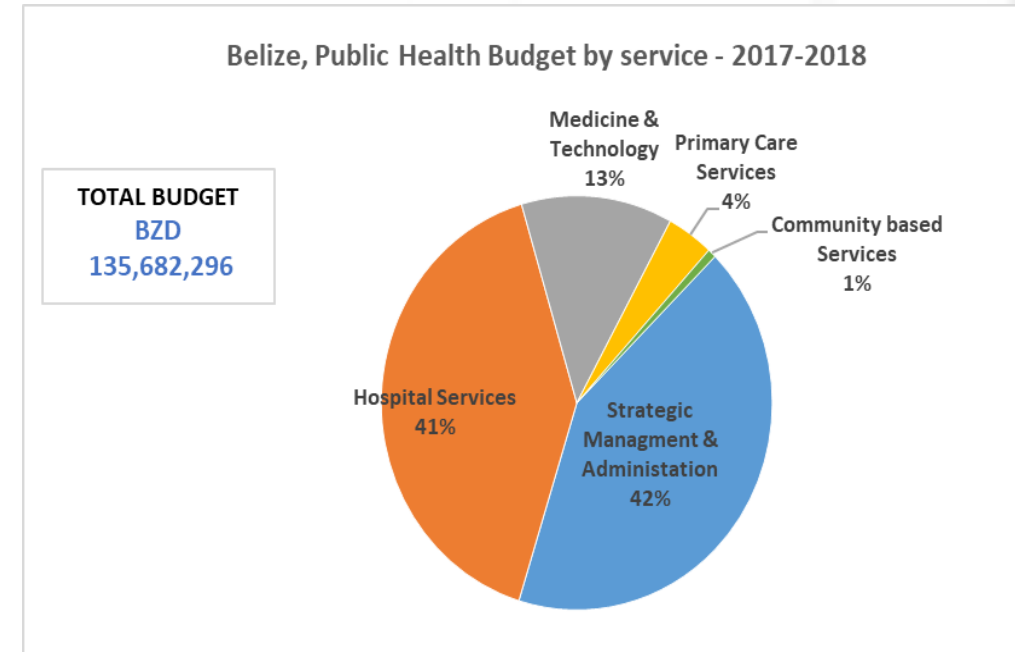
The moderate scenario considers a weighted transfer of 1% from all three lines to health (NHI). The alternative scenario involves a 2% transfer towards health.

REALLOCATION WITHIN HEALTH EXPENDITURES

- Three budgetary lines that may be used to increase NHI resources:
 - *Strategic Management and Administration,*
 - *Hospitals and Medicines,*
 - *and Technology.*

The moderate scenario entails an overall 2% shift towards primary health care within the NHI; expanded scenario includes a 5% transfer.

- **Budgetary efficiency gains at the Ministry of Health: Under-execution of resources in primary health care and community health was identified and included in the fiscal space exercise.**

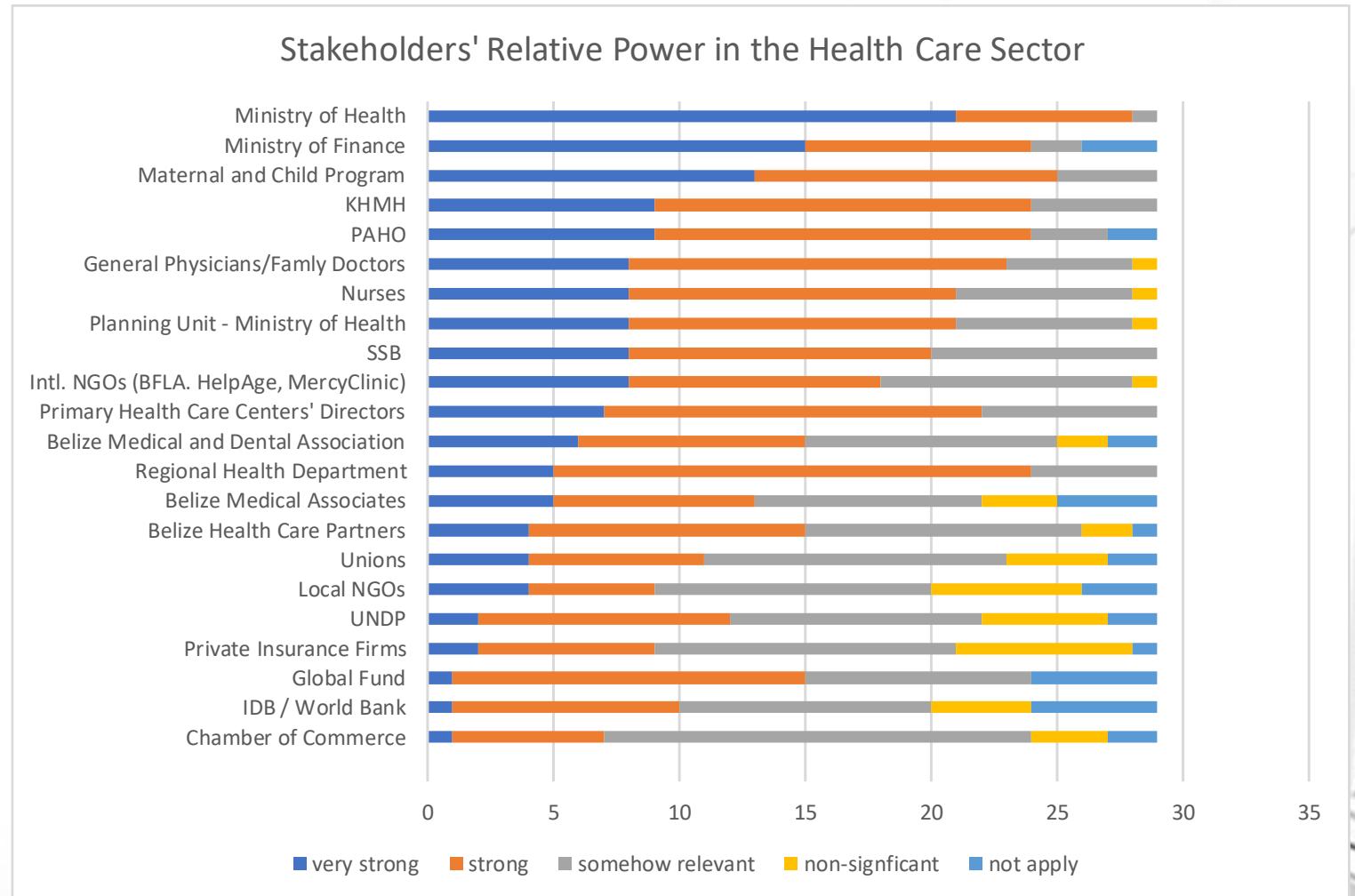


STAKEHOLDER ANALYSIS

The background of the slide is a blurred, high-angle photograph of a modern office space. On the right side, there is a staircase with a glass railing. Large windows are visible, letting in bright light, which creates a soft, out-of-focus atmosphere. The overall color palette is light and airy, with whites and grays dominating the scene.

Power and Support of the NHI

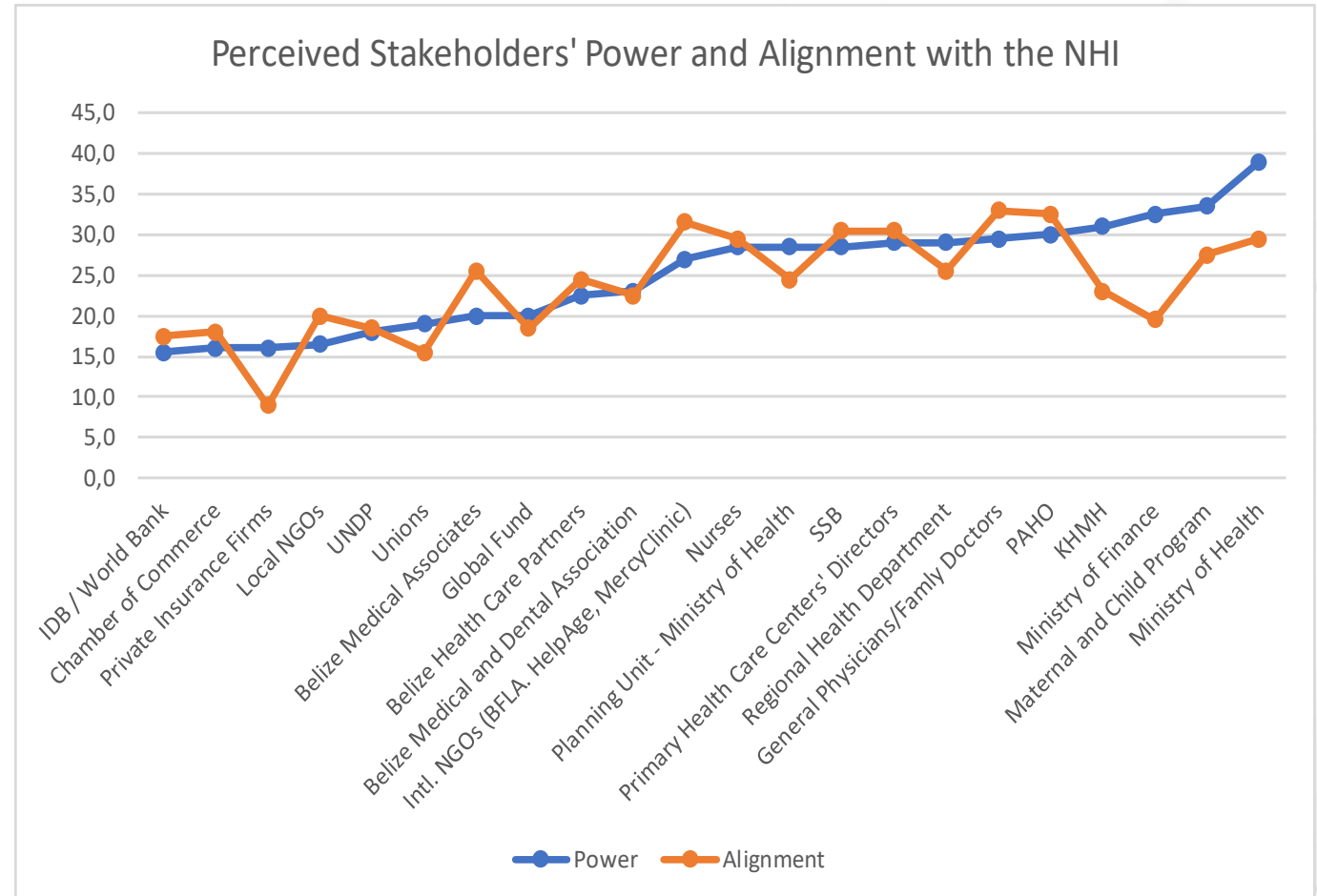
- Figure shows how stakeholders rank power in the health care sector. With some exceptions, the most powerful actors are perceived to be the direct participants in the local health care sector, mainly those working at the Ministry of Health, although the Ministry of Finance belongs to this cluster; a second group is constituted by health care providers; macro local actors and international organizations are at the bottom of the figure.



Power and Support of the NHI

Figure shows the main result of the exercise, weighing each actor's sum of perceptions regarding NHI support and power.

Except for the Ministry of Finance, there is a strong correlation between actors perceived as having power within the health sector and those interested in the extension of the NHI. Political will might well be behind the reformers, then; the ability to scale up the NHI seems to rely on a sound financial proposal capable of gaining the support of a large number of actors.



Results

- For each of the instruments identified to enhance Belize’s fiscal space, two alternative scenarios are given, one “moderate” and one “expanded”. As explained above, the difference between them lies in the percentage at stake in each.
- **Recommended scenarios:** Based on stakeholder analysis and international experience, four fiscal space categories were identified: “**recommended,**” “**possible-viable,**” “**arguable,**” and “**non-recommended.**”

Recommended fiscal space sources include:

- (i) general taxes
- (ii) taxes on alcohol, tobacco, and sugar sweetened beverages
- (iii) social security contributions (employers and employee contributions)
- (iv) reallocation of resources and efficiency gains within the MOH

Possible-viable fiscal space sources include:

- (i) economic growth
- (ii) income taxes (business and PAYE taxes)
- (iii) reallocation of budgetary resources: reprioritization for health

Arguable fiscal space sources are:

- (i) more foreign debt
- (ii) more international grants and loans

Non-recommended fiscal space sources are:

- (i) foreign debt, loans, and grants
- (ii) inflationary taxes

Moderate Scenario. Expansion 2019-2027

Order	Source of Fiscal Space	Additional resources - Scenario of moderate changes								
		2019	2020	2021	2022	2023	2024	2025	2026	2027
I	Economic Growth	5.027.870	-3.409.348	3.558.892	3.917.238	4.274.310	4.630.210	4.985.030	5.338.852	5.691.750
II	Taxes									
	A- General Sales taxes	3.507.732	3.693.389	3.879.046	4.064.704	4.250.361	4.436.018	4.621.675	4.807.332	4.992.989
	B- Income Tax: Business tax	1.920.389	1.995.010	2.069.631	2.144.252	2.218.873	2.293.494	2.368.115	2.442.735	2.517.356
	C- Income Tax: PAYE Tax	1.001.264	1.056.928	1.112.592	1.168.256	1.223.921	1.279.585	1.335.249	1.390.914	1.446.578
III	Pro Healt Taxes - Excise duties									
	D - Tobacco	367.280	371.687	376.148	380.661	385.229	389.852	394.530	399.265	404.056
	E- Sweetened Beverages	5.023.475	5.083.757	5.144.762	5.206.499	5.268.977	5.332.205	5.396.191	5.460.945	5.526.477
	F - Alcoholic beverages	1.885.312	1.907.936	1.930.831	1.954.001	1.977.449	2.001.179	2.025.193	2.049.495	2.074.089
IV	Labour taxes	30.285.381	31.920.792	33.644.514	35.461.318	37.376.229	39.394.546	41.521.851	43.764.031	46.127.289
V	Reallocation between Public Expenditure	6.229.293	6.457.571	6.685.848	6.914.126	7.142.403	7.370.681	7.598.958	7.827.236	8.055.514
VI	Reallocation within MoH & Health Expenditure									
	Reallocation from non-primary levels	2.680.614	2.873.219	2.985.367	3.097.515	3.209.663	3.321.811	3.433.959	3.546.106	3.658.254
	Efficiency Gains (budgeted v executed budget)	1.489.184	1.620.275	1.650.086	1.679.896	1.709.707	1.739.517	1.769.328	1.799.139	1.828.949
	Total Fiscal Space	59.417.795	53.571.216	63.037.717	65.988.467	69.037.122	72.189.097	75.450.079	78.826.050	82.323.301
	Marginal cost scale up actual NHI	31.465.461	32.992.375	34.581.904	36.236.505	37.958.733	39.751.239	41.616.779	43.558.215	45.578.519
	Marginal cost scale up expanded NHI	114.725.646	120.292.902	126.088.454	132.121.267	138.400.649	144.936.273	151.738.185	158.816.818	166.183.013

Expanded Scenario. Expansion 2019-2027

Order	Source of Fiscal Space	Additional resources - Scenario of increased changes								
		2019	2020	2021	2022	2023	2024	2025	2026	2027
I	Economic Growth	12.829.396	9.311.920	959.827	8.286.963	8.802.197	9.313.045	9.819.336	10.320.825	10.817.179
II	Taxes									
	A- General Sales taxes	10.523.197	11.080.168	11.637.139	12.194.111	12.751.082	13.308.053	13.865.024	14.421.996	14.978.967
	B- Income Tax: Business tax	5.761.168	5.985.030	6.208.893	6.432.756	6.656.618	6.880.481	7.104.344	7.328.206	7.552.069
	C- Income Tax: PAYE Tax	2.836.798	3.003.791	3.170.783	3.337.776	3.504.769	3.671.762	3.838.755	4.005.748	4.172.741
III	Pro Healt Taxes - Excise duties									
	D - Tobacco	550.920	557.531	564.222	570.992	577.844	584.778	591.796	598.897	606.084
	E- Sweetened Beverages	7.535.212	7.625.635	7.717.143	7.809.748	7.903.465	7.998.307	8.094.286	8.191.418	8.289.715
	F - Alcoholic beverages	2.827.969	2.861.904	2.896.247	2.931.002	2.966.174	3.001.768	3.037.790	3.074.243	3.111.134
IV	Labour taxes	152.344.644	160.571.254	169.242.102	178.381.176	188.013.759	198.166.502	208.867.493	220.146.338	232.034.240
V	Reallocation between Public Expenditure	12.458.586	12.915.141	13.371.696	13.828.251	14.284.807	14.741.362	15.197.917	15.654.472	16.111.027
VI	Reallocation within MoH & Health Expenditure									
	Reallocation from non-primary levels	9.248.118	9.912.605	10.299.515	10.686.426	11.073.336	11.460.247	11.847.157	12.234.067	12.620.978
	Efficiency Gains (budgeted v executed budget)	1.489.184	1.620.275	1.650.086	1.679.896	1.709.707	1.739.517	1.769.328	1.799.139	1.828.949
	Total Fiscal Space	218.405.192	225.445.255	227.717.654	246.139.098	258.243.759	270.865.822	284.033.226	297.775.349	312.123.083
	Marginal cost scale up actual NHI	31.465.461	32.992.375	34.581.904	36.236.505	37.958.733	39.751.239	41.616.779	43.558.215	45.578.519
	Marginal cost scale up expanded NHI	114.725.646	120.292.902	126.088.454	132.121.267	138.400.649	144.936.273	151.738.185	158.816.818	166.183.013

CONCLUSIONS/RECOMMENDATIONS

- There is space for increasing financial allocation towards Health.
- National Health Insurance is the appropriate model to finance health care in the country: introduces efficiency, equity, affordability, quality, sustainability, coverage.....Development.
- Most resistance comes from Public Institutions as it is seen as a “loss of power” or “Additional Expenditure”.
- Need to address concerns of each stakeholder by educating/marketing/ informing/ each stakeholder according to their perceptions/interest.
- Policy options presented to both Government and Opposition, after a proper marketing campaign to garner support from all stakeholders.





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THANK YOU!

