

## Health in Southeast Asia 6



# Health-financing reforms in southeast Asia: challenges in achieving universal coverage

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In this sixth paper of the Series, we review health-financing reforms in seven countries in southeast Asia that have sought to reduce dependence on out-of-pocket payments, increase pooled health finance, and expand service use as steps towards universal coverage. Laos and Cambodia, both resource-poor countries, have mostly relied on donor-supported health equity funds to reach the poor, and reliable funding and appropriate identification of the eligible poor are two major challenges for nationwide expansion. For Thailand, the Philippines, Indonesia, and Vietnam, social health insurance financed by payroll tax is commonly used for formal sector employees (excluding Malaysia), with varying outcomes in terms of financial protection. Alternative payment methods have different implications for provider behaviour and financial protection. Two alternative approaches for financial protection of the non-poor outside the formal sector have emerged—contributory arrangements and tax-financed schemes—with different abilities to achieve high population coverage rapidly. Fiscal space and mobilisation of payroll contributions are both important in accelerating financial protection. Expanding coverage of good-quality services and ensuring adequate human resources are also important to achieve universal coverage. As health-financing reform is complex, institutional capacity to generate evidence and inform policy is essential and should be strengthened.

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This is the sixth in a [Series](#) of six papers about health in southeast Asia

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### Introduction

The large amount of household out-of-pocket payments for medical bills, resulting in household financial disruption and impoverishment, was a key motive for the adoption of a World Health Assembly Resolution in 2005 on financial protection.<sup>1</sup> Countries in southeast Asia, home to 8.7% of the world's population and that have a fast economic growth and a moderate poverty level of 14.6%,<sup>2</sup> have a high potential to accelerate protection from financial risks and achieve universal coverage of health care.

Universal coverage is defined as securing access by all citizens to appropriate promotive, preventive, curative, and rehabilitative services at an affordable cost.<sup>3</sup> Prospects of progress towards this aspiration seem poor,<sup>4</sup>

particularly for countries whose government fiscal capacity is low and whose social health insurance for the employed sector is absent or very small, thus restricting the mobilisation of additional resources from payroll contributions. Financing health care in most developing countries greatly relies on out-of-pocket payments,<sup>5</sup> with most donors and global health initiatives such as the Global Fund focusing on specific diseases or interventions rather than the broader health system.

### Key messages

- The development of a universal health coverage policy is guided by explicit consideration of how best to cover and finance specific population groups: those in formal employment, the poor and vulnerable, and the informal sector and the rest of the population.
- Those in formal employment can be given financial protection through payroll-financed social health insurance or tax-funded arrangements.
- The poor and vulnerable are accepted to need highly subsidised arrangements by general budget, and there is good evidence from Laos and Cambodia that demand-side targeted approaches such as health equity funds work better than a simple fee exemptions policy.
- The informal sector and the rest of the population remain a challenge, with countries such as the Philippines and Vietnam seeking to expand coverage through contributory arrangements, and others such as Thailand using tax funding.
- In addition to extension of population coverage, efforts should be given to provide adequate financial risk protection and to design an appropriate mix of provider payment methods that can affect physicians' clinical practices towards rational use of medical technologies, efficiency, and long-term affordability.
- Expanding coverage of good-quality services and ensuring adequate human resources are equally important elements of achieving universal health coverage.
- Comparative analysis such as that presented in this paper is helpful in bringing diverse experiences from the southeast Asia region together to learn lessons and develop a culture of evidence in decision making.

### Search strategy and selection criteria

A common protocol was developed by VT and WP and agreed upon by country authors. The protocol included country health financing background, analysis of the government efforts in coverage extension to the poor, those in formal employment, and the informal sector. The analysis covered source of revenue, pooling, service coverage, level of financial risk protection, and the government policy towards universal coverage. In producing each country report, authors reviewed and synthesised the published literatures and other government unpublished documents, such as the Philippine health insurance corporation annual reports, the government statistics year book in Vietnam, International Labour Office statistics, and Laos Health Financing Strategies 2011–15. VT and WP then compiled and synthesised the final references on the reports from the country authors.