BRIEF

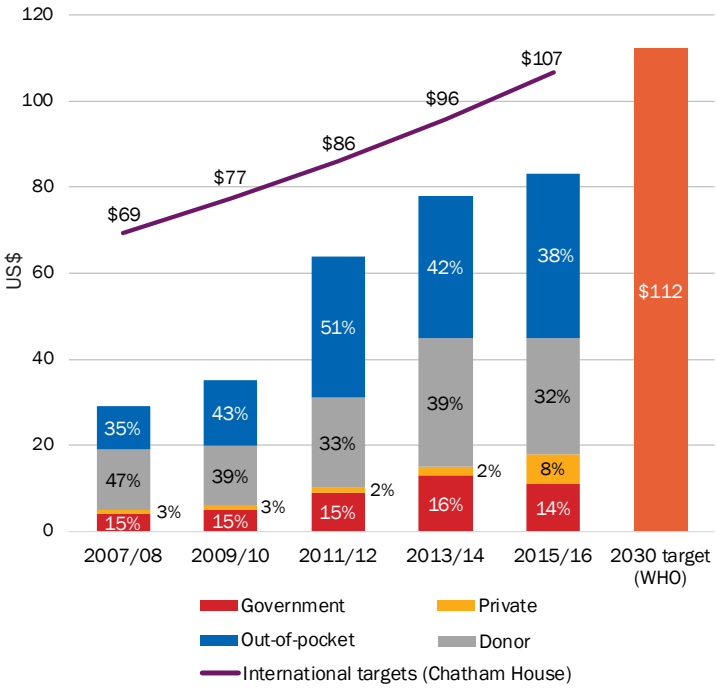
April 2019

Key Priorities to Improve Sustainable Financing of Liberia's Health Sector

Liberia needs increased funding for the health sector in order to achieve the Sustainable Development Goals and move toward universal health coverage. Liberia already faces significant resource gaps to implement the Ministry of Health's investment plan, estimated at US$757 million over seven years (World Bank, 2016). Meanwhile, out-of-pocket expenditure and donor dependence for financing health remains high (see Figure 1), even as foreign aid has dropped significantly by almost 3% of gross domestic product (GDP) from the peak levels during the Ebola crisis (IMF, 2018; ROL, 2018). This declining trend has put pressure on fiscal resources. The Government of Liberia is forecasted to run a budget deficit of close to 5% of GDP over the next several years, despite promising GDP growth (IMF, 2018).

Key factors to improve the financial sustainability of the health sector include establishing more reliable and predictable financing mechanisms for health through a national health insurance scheme and tax reforms, improving efficiency, and using limited resources as effectively as possible. The Government of Liberia allocated 14.6% of the overall government budget to the health sector in fiscal year (FY) 2017/18. While this is commendable, it should be noted that the overall government budget is relatively small at only US$527 million in total, or 14% of GDP (IMF, 2018; MFDP, 2017). HIV, tuberculosis, and malaria are high-burden diseases in Liberia, and its tuberculosis and malaria incidence rates are among the highest in the world (WHO, 2018a, 2018b). Given the government's recurring budget deficit, declining grant inflows, and escalating debt levels, the fiscal space to mobilize significant additional resources for health is limited.

Per Capita Health Expenditure, Disaggregated by Source (Historical and Targets)



Sources: ROL, 2018; Stenberg et al., 2017

Priorities to Improve Sustainable Financing for Health

Based on Global Fund-supported analysis by Palladium (Lee et al., 2019), there are four opportunities to improve sustainable financing for health:

1) Implementation of the Liberia Health Equity Fund
2) Conceptualization of new or innovative financing mechanisms for health
3) Improving efficiency in the use of scare resources for health
4) Budget advocacy to prevent erosion of government allocations to health

PRIORITY 1 Implementation of the Liberia Health Equity Fund is crucial for a sustainable health financing system and equal access to health care

Key stakeholders	• Ministry of Health • Ministry of Finance and Development Planning • National legislature • Civil society • Development partners
Opportunities	The Liberia Health Equity Fund is a risk-pooling insurance scheme meant to reduce catastrophic health expenditure, improve sustainability of revenue collection, and increase quality of care. The fund is the Ministry of Health's primary reform objective and underpins domestic resource mobilization efforts. Universal health care is an accepted concept in Liberia, making the timing opportunistic for reform of the fund. Half of the country's population lives in poverty, making financial protection against catastrophic health expenditure a key policy issue. Implementation of the Liberia Health Equity Fund will reduce out-of-pocket cost while introducing performance-based financing mechanisms and facility accreditation requirements that could help increase the quality of care.
Challenges	Sensitization on the merits of the Liberia Health Equity Fund is needed. Currently, only 3% of the country's population has health insurance (World Bank, 2017). There is an urgent need to support advocacy efforts to get the Liberia Health Equity Fund bill passed by the national legislature.
Key activities for legislature adoption of the Liberia Health Equity Fund	
Generate data for awareness-raising and advocacy	• Analytics, such as an actuarial study and quantification of the Government of Liberia's financing obligations to cover subsidies for poor/vulnerable groups, are needed to provide evidence to support advocacy efforts and to inform key design aspects of the fund. • Two tax reform options under discussion in Libera, an excise tax for tobacco and alcohol and a value-added tax, could be earmarked for social sectors, such as health, and directly provide revenue for the Liberia Health Equity Fund to be used for strategic purchasing of health service provision. A political and financial feasibility study of earmarked taxes is needed to determine the potential of this revenue-generation mechanism.
Increase political momentum and support	• A coalition of civil society organizations, development partners, and House and Senate champions must be formed to advocate for the bill when it is called for a public hearing.

PRIORITY 2 Conceptualization of new or innovative financing mechanisms for health is needed

Key stakeholders	• Ministry of Health • Ministry of Finance and Development Planning • Development partners • Private sector
Opportunities	Remittances represent large cash inflows into the country (17% of GDP) and could be a substantial and reliable revenue stream to be pooled into the Liberia Health Equity Fund (USAID, 2018). Meanwhile, the private sector's financing contribution to the health sector is growing, representing 8% of total health expenditure in the last national health accounts for FY 2015/16. Lastly, there is growing interest from China in partnering with the Government of Liberia on health-related initiatives.
Challenges	Innovative financing mechanisms, such as blended financing and private-public partnerships are largely unexplored in Liberia. Private sector financing for health has historically been low (2–3% of total health expenditure), despite a recent increase (ROL, 2018).
Key activities for increasing the financing base for health	
Develop and test financing models	• A mechanism to leverage cash inflows from remittances for health should be conceptualized and implemented. • Explore possibilities to leverage grant funding from China for health. • Develop a blended-financing intervention that finances co-pays for insurance subsidies as a mechanism to decrease out-of-pocket health expenditure for the poor.
Increase political momentum and will	• Establishing a Liberia Chapter of the Africa Healthcare Federation as an advocacy institution for the private health sector to engage with the Government of Liberia can help with raising resources for health through public-private partnerships and corporate social responsibility.

PRIORITY 3 Given the restrictive fiscal space for health, improving efficiency in the health sector is required

Key stakeholders	• Ministry of Health • Development partners
Opportunities	The Ministry of Health can learn from interventions adopted in other sub-Saharan countries that use more efficient models of service delivery, such as differentiated care for HIV, to help ensure that more patients can be seen by existing health workers and facilities.
Challenges	Currently, spending is too heavily favored toward hospital-based care. Differentiated care guidelines for HIV have not been adopted.
Key activities for using scarce resources as effectively as possible to improve the health system	
Develop and test efficiency models	• Improve the resource allocation formula to ensure that enough funding is going to primary health care. • Improve health workforce productivity by developing tracking mechanisms for absenteeism and staffing needs.
Conduct data analysis	• Quantify potential cost savings from switching to more efficient models of service delivery, such as differentiated care for HIV, and adopt interventions as appropriate. • Analyze performance-based mechanisms used by the U.S. Agency for International Development and the World Bank to improve service delivery of reproductive, maternal, newborn, child, and adolescent health services. If successful, these approaches can be applied to HIV, tuberculosis, and malaria programs.

PRIORITY 4 Budget advocacy is needed to prevent erosion of government allocations to health

Key stakeholders	• Ministry of Health • Ministry of Finance and Development Planning • Civil society • Development partners
Opportunities	In FY 2017/18, the Ministry of Health's 91% budget execution rate showed good absorption capacity for money that is released to health, an important point to make during the advocacy process (MFDP, 2018).
Challenges	Given Liberia's economic environment, achieving increased budget allocations for health during budget formulation will be difficult.
Key activities for maintaining the government's budget allocation to health	
Link data to evidence	• Support Ministry of Health efforts to prevent erosion of allocations to health by showing how financing is tied to improved health sector outcomes. • Support advocacy efforts aimed at the Ministry of Finance and Development Planning with analytics and evidence.
Build multisectoral support	• Supplement advocacy initiatives by participating in inter-ministerial budget consultations with the Ministry of Finance and Development Planning.

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