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Unlocking Universal Health Coverage 2030: Benchmarking and Achieving Adequate Health Financing

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Universal health coverage (UHC) aims to ensure equitable access to high-quality healthcare services without financial hardship (World Health Organization, 2023b) aligning with Goal 3, Target 3.8 of the 2030 Sustainable Development Goals (SDGs).

The world is not on track to reach the UHC-linked financing goals.

The UHC funding gap in low- and middle-income countries is substantial and projected to reach $176 billion annually by 2030, necessitating innovative action to mobilize capital and save lives (Kodali, 2023; Shulla & Filho, 2023). Estimates indicate that by 2040, only 3% of low-income and 37% of lower-middle-income countries will meet the Chatham House goal of allocating 5% of GDP to government health spending (Micah et al., 2023).

The COVID-19 pandemic exacerbated health access challenges and exerted fiscal pressure on fledgling economies.

The COVID-19 pandemic further exacerbated barriers to health services and associated financial hardship, particularly in low-income and middle-income countries (LMICs) (Hafidz et al., 2023; Rajalakshmi et al., 2023). While the UHC service coverage index improved from 45 (out of 100) in the year 2000 to 68 (out of 100) in 2019, it stagnated in 2021 (World Health Organization, 2023b). Owing to recessionary and inflationary pressures, only modest increases in health spending are expected in LMICs (Garcia-Escribano et al., 2022; Gourinchas, 2023; Micah et al., 2023). Development Assistance for Health (DAH) remains insufficient to bridge the funding gap, with many middle-income countries ineligible for such assistance, emphasizing the importance of domestic resource mobilization and multi-sector collaboration to deliver on the SDG3.8 agenda.

2 billion people experience catastrophic health spending.

Concerning SDG indicator 3.8.2, approximately 2 billion people still experience catastrophic health spending (World Health Organization, 2023a).Ensuring financial access to quality healthcare is vital for poverty reduction, equity promotion, and resilient health systems capable of responding to crises (Katz, 2005; Sachs et al., 2001; Watkins et al., 2018). Thus, adequate health financing is not only a moral imperative but also supports social and economic development, benefiting individuals, communities, and societies at large.

UHC under the SDGs necessitates a multi-stakeholder approach.

Despite bearing the primary responsibility for financing and managing their health systems, governments often face resource constraints and competing development priorities. In this way, delivering UHC necessitates a multi-stakeholder approach, involving governments, donors, the private sector, and civil society. Donors, for example, can play a pivotal role in supporting low-income countries in strengthening their health systems to achieve UHC. The private sector, including insurance and pharmaceutical companies, can also have a significant role to play in health financing. While there are no specific donor-related health financing targets, the World Bank suggests that 20 to 40 percent of health financing should come from the private sector within the 'trillion-dollar agenda' of the SDGs (Sebti, 2016). Additionally, the OECD advocates for blended

finance as a strategy to attract private sector investments and drive progress toward the SDGs, including in the health sector.

However, a key unresolved question is **how and to what degree** the private sector can contribute to the health financing agenda in order to close the UHC expenditure and resource gap.

As an expanding frontier in health financing, innovative finance approaches for health begin to address this critical question. Yet, there is limited consensus on a standardized measurement framework for tracking progress in this area. As such, policymakers face challenges in developing implementation strategies or a concrete theory of change, because they remain unsure about which indicators and targets to measure against with respect to innovative health finance.

Minimum of 15% of Public Budget Spending towards Health:

The Abuja Declaration recommended governments allocate 15% of budgets to the health sector. While this indicator provides information on affordability relative to a country's context, achieving this target has proven challenging, with few countries meeting it by 2020 (Biegon, 2020; Gatome-Munyua & Olalere, 2020).

Minimum of 5% of GDP towards Health:

Reports from the WHO and other organizations suggest that countries may need to allocate approximately 5% of GDP to health to achieve UHC. While the nominal value of this target varies according to a country's wealth, it is nevertheless a critical indicator for the provision of essential health services in a country context.

The herein presented framework and forthcoming white paper aim to support private capital mobilization in two critical ways. First, we offer a set of benchmarks to establish health financing targets. Second, we provide a framework for assessing a financing strategy's contribution to macro-level health financing in order to rationalize and catalyze deployment of innovative financing approaches that operationalize Essential Universal Health Coverage (EUHC).

You can't manage what you don't measure.

Understanding public expenditure and efficiency benchmarks, alongside assessing current and potential private sector investments, can support progress towards UHC financing goals. Public health expenditure includes all health services, family planning, nutrition activities, and emergency aid designated for health. Measurement of public sector health expenditures captures financing flows from various sources and channels, including public and development assistance resources.

Feasible Public Health Spending Targets for LICs and LMICs:

The estimated per capita cost of EUHC is US$76 in low-income countries and US$110 in lower-middle-income countries. These targets and benchmarks aim to guide countries in their pursuit of UHC financing, but challenges persist in implementation as countries work to meet the required funding levels. Additionally, the feasibility of these thresholds remains both academically and practically contested.

Summary of commonly used targets to measure public sector spending towards UHC

Indicator	UHC Target
Minimum government spending on health (% overall spending)	15%
Minimum government allocations to health spending (% GDP)	5%
Maximum out-of-pocket spending (% total health spending)	25%
Minimum government health spending (per capita) - EUHC	76 US$ (LIC)
Minimum government health spending (per capita) - EUHC	110 US$ (MIC)

Sources: Jowett et al. (2016); McIntyre et al. (2017); Watkins et al. (2017)

Countries are not on track to meet these spending goals (Dieleman et al., 2018); further, global and national agendas are missing similar indicators that set targets and provide clarity for private sector contributions to the EUHC agenda. Therefore, by suggesting a framework to manage private sector engagement that supplements national health financing agendas, this brief will provide clarity, facilitate discussion and engagement, and lead to concerted action.

LMICs are increasingly affected by a double burden of infectious diseases and non-communicable diseases (NCDs). This health transition poses challenges for health financing, requiring a comprehensive approach to address both disease burdens effectively.

Efforts to achieve health financing targets should focus on higher efficiency and collaboration among different health financing actors. Collaboration between public, private, and blended financing methods can help alleviate resource constraints, reduce health economic burdens, create economies of scale, generate trackable outcomes, and improve macroeconomic outcomes (Khan et al., 2023).

Both better and increased spending towards EUHC is needed, but benchmarks and agreed-upon outcomes are needed to manage and accelerate progress sustainably.

Private sector benchmarks are missing from UHC resource mobilization goals.

Here, private sector spending is categorized into private not-for-profit organizations and for-profit enterprises. The analysis mainly focuses on spending by for-profit actors along the healthcare value chain. Funding flows involve investments in healthcare companies, value chain actors, and direct financing. Private sector healthcare spending often flows through Public-Private Partnerships (PPPs), which are vital for health financing, bridging infrastructure gaps, and leveraging private sector technology and innovation.

Governments must have a national policy framework to safeguard public interests in PPPs. Much PPP growth has been in Middle-Income Countries (MICs), while Low-Income Countries (LICs) leverage external private capital. Various financial instruments and blended finance approaches are used for private sector health spending. However, there is ongoing debate about the appropriate amount and type of private sector expenditure for UHC. The framework proposes a set of qualitative and quantitative benchmarks to comprehensively assess private health spending towards UHC.

The following Indicator Framework Summary provides a concise overview of the three principal indicator categories (i.e., policy, system-level, and mobilization), used to assess private sector contributions to UHC.

Policy Indicators

These indicators focus on the policy environment and legal framework governing PPPs and blended finance collaborations in healthcare. They also assess the alignment of private sector investments with the national UHC agenda. The specific indicators in this category include:

Legal Framework for PPPs and Blended Finance Collaborations: Evaluates the existence and strength of legal frameworks supporting PPPs and blended finance in healthcare.

Alignment of Private Sector Investments with UHC Agenda: Measures the extent to which private sector initiatives align with the national UHC goals, ensuring that they contribute to the broader healthcare objectives.

System-level Indicators

These indicators examine the implementation and scale of private sector involvement in healthcare. They assess the quantity and size of PPPs in the healthcare sector, as well as the flow and conversion of blended and innovative finance projects. Key indicators in this category include:

Number and Size of PPPs in Healthcare: Quantifies the presence and significance of PPPs in delivering healthcare services.

Deal Flow and Conversion of Blended and Innovative Finance Projects: Tracks the progress of projects involving blended and innovative financing mechanisms, providing insights into their execution.

Tracked Mobilization

This category focuses on the mobilization of private sector resources for healthcare financing. It gathers data on the volume of private finance mobilized at the country-level and examines the financial instruments and arrangements used. The key indicator in this category is:

Private Sector Mobilization: Measures the amount of private finance attracted and utilized for healthcare purposes, including the methods and instruments employed.

Overall, the Indicator Framework Summary serves as a guide for evaluating and monitoring the private sector's role in UHC financing. By using these indicators, policymakers and stakeholders can assess the impact, efficiency, and alignment of private sector initiatives, making informed decisions to enhance healthcare access and quality. It underscores the importance of policy alignment and a well-defined legal framework to achieve successful public-private collaborations in healthcare.

The Novel Framework - Applied

Framework Component	Indonesia 	India 
Current Spending Indicators		
Government spending on health (% overall spending)	10.1% (2020)	3.3% (2020)
Current Health Expenditure (% GDP)	3.4%	3.0%
OOP as % THE	31.8% (2020)	50.6% (2020)
Government health spending (per capita)	414.8 (PPP, current international $) Year: 2020	190.7 (PPP, current international $) Year: 2020
Private Sector Suggested Benchmarks		
Existence of legal framework for PPP / blended finance collaboration	Indonesia underwent several governmental reforms to facilitate establishment of PPPs in 2005, which mainly focused on concession based partnerships (OECD, 2012). To date, the WB PPP portal for Indonesia does not refer to any health PPPs. A USAID-led study on blended finance readiness revealed limited private sector involvement in healthcare financing, recommending grant based and credit guarantees as 'entry level' blended finance vehicles	India has a track record in PPPs for primary healthcare, hospitals, and medical training facilities (Department of Economic Affairs, 2023). Legal and regulatory obstacles remain for use of CSR in blended finance following the mandated corporate tax (Technical Support Unit SAMRIDH Healthcare Blended Finance Facility, 2022). Charitable contributions cannot be return-seeking (Saxena & Joseph, 2021).

Framework Component	 Indonesia	 India
Alignment with nationally-determined EUHC agenda	N/A	Most PPPs are decided on case-by-case basis; alignment with national UHC agenda can be improved
# of PPPs in healthcare / $ size of these partnerships	None identified in analysis of 2010 – 2020 transactions in the Convergence Database	PPP: No market size and industry reports available to date Blended finance: total captured transactions between 2010 and 2020: 61.6 million USD (Convergence, 2023).
Deal flow / Deal conversion of blended and innovative finance projects in country	Summary data not available	Summary data not available
Tracked Mobilization	No tracked private sector mobilization spending (https://tossd.online/app)	1.1 billion USD in 2021 (https://tossd.online/app) – No breakdown in private vs. public sector spending available

Example of a sustainable blended finance model that would be included in resource tracking for PPP financing benchmarks

The Medical Credit Fund (MCF)[1]

MCF is the first debt fund dedicated to financing health sector SMEs in Africa, focusing on improving healthcare access for low-income patients. It combines first-loss capital, technical assistance grants, and debt financing. MCF collaborates with local financial partners to distribute loans and enhance care quality and business sustainability. This case study, overall, underscores the significance of blended finance, development impact, technical assistance, local partnerships, and financial sustainability. MCF aims to build the private healthcare value chain in Sub-Saharan Africa.

MCF's Context and Design

MCF addresses challenges in Africa's private healthcare sector with funding and technical assistance. Founded in 2009, it features blended finance, extensive technical support, and local bank partnerships. The G20 SME Finance Challenge win in 2010 boosted funding. Despite initial hurdles, MCF achieved a high loan repayment rate.

Growth and Expansion of MCF

MCF expanded its capital base to $35.5 million through contributions from diverse investors. Digital financing solutions, like the Cash Advance product, were introduced. MCF's third financing round in 2017 brought investments from various entities, and it currently stands at a total capitalization of $50 million.

Governance Structure and Operations

PharmAccess Group established the PharmAccess Group Foundation to oversee MCF's governance. MCF's governance includes boards, committees, and partnerships with financial institutions. MCF benefits from grant-funded technical assistance funds and subsidized management fees.

Investment Criteria, Loan Products, and Geographical Remit

MCF evaluates health SMEs based on financial, developmental, and social criteria. It offers secured debt financing and various loan products to eligible health SMEs. Its geographical remit includes Priority 1 and 2 countries, with expansions assessed case-by-case.

Investment Process and Technical Assistance

MCF sources deals through partner networks and provides credit training to enhance deal flow. Credit review and approval processes vary by program and loan size. Technical assistance is vital, aiming to improve healthcare service quality and business sustainability. MCF collaborates with 18 local financial institutions across six countries.

Impact and Outcomes

MCF has disbursed over 3,000 loans totaling more than $50 million to health SMEs, with a 97.2% repayment rate. It serves around 360,000 patient visits per month, with 58% from low-income groups. MCF has improved the quality of healthcare services, trained over 5,000 professionals, and catalyzed access to finance for health SMEs.

Supporting Universal Health Coverage (UHC): MCF's focus on improving access to quality healthcare services aligns with the UHC agenda. By providing financing and technical assistance to health SMEs, MCF contributes to expanding healthcare access and coverage, which is a key component of UHC.

Enhancing Quality of Care: MCF's emphasis on improving the quality of healthcare services directly aligns with the national agenda of countries striving to enhance healthcare standards. By offering technical assistance and support for quality improvement, MCF helps healthcare facilities meet and exceed national quality standards.

[1]Case study adapted from a report published by Convergence in 2019.

Strengthening the Private Healthcare Sector: In many African countries, the private healthcare sector plays a significant role in delivering healthcare services. MCF's support to health SMEs and clinics contributes to the growth and strengthening of the private healthcare sector. This aligns with national agendas that aim to foster a robust and diversified healthcare system.

Promoting Economic Growth and Job Creation: MCF's financing of health SMEs contributes to economic growth and job creation in the healthcare sector. This aligns with national agendas focused on economic development and reducing unemployment.

Reducing the Burden on Public Healthcare: By supporting the private healthcare sector, MCF indirectly helps alleviate the burden on public healthcare systems, which are often stretched thin. This alignment is particularly relevant in countries where public healthcare resources are limited.

Addressing Specific Health Challenges: MCF's flexibility in financing allows it to respond to specific health challenges identified by national health authorities. For example, during a disease outbreak like COVID-19, MCF can tailor its support to address the urgent needs outlined in the national response plan.

Collaboration with Government and Regulators: MCF often collaborates with local governments and healthcare regulators to ensure its operations comply with national laws and regulations. This collaborative approach fosters alignment with the country's healthcare goals and objectives.

Health Sector Partnerships: MCF often partners with local health sector stakeholders, including ministries of health, to identify priority areas for financing and technical support. These partnerships help ensure that MCF's activities align with the country's healthcare priorities.

In summary, the Medical Credit Fund aligns with national agendas in Sub-Saharan Africa by contributing to key healthcare goals, including UHC, improved quality of care, and the growth of the private healthcare sector. Its flexibility and collaboration with local authorities and stakeholders allow it to adapt its support to specific national healthcare challenges and priorities.

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