

# **APEC Checklist of Enablers for Alternative Health Financing**

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### **Purpose**

**The purpose of the *APEC Checklist of Enablers for Alternative Health Financing* is to help economies assess their current policy and regulatory environment for enabling the adoption and deployment of alternative financing mechanisms to help maintain and expand healthcare coverage.**

### **Background**

APEC economies face GDP losses of between 6 - 8.5% by 2030 due to the current and projected steep rise in non-communicable diseases (NCDs) notably cancer, cardiovascular disease, and mental illness, coupled with aging populations. A 2014 APEC study<sup>i</sup>, commissioned by the APEC Business Advisory Council (ABAC) and the Life Sciences Innovation Forum (LSIF), showed GDP losses of between 4 - 6% in six representative APEC economies from losses in worker productivity due to NCDs (disability-related presenteeism and absenteeism). The study was extended in 2015<sup>ii</sup> to include an assessment of additional economic losses from early retirement due to disability (principally from NCDs), estimated at between 2 - 2.5% of GDP.

Recognizing that more must be done to avert the predicted steep losses in GDP growth, APEC Leaders called for work on the fiscal and economic impacts of ill health. APEC health ministers and finance ministers agreed to collaborate to address the issue. After an initial discussion in 2016, health and finance officials convened in 2017 with private sector experts and discussed the need to expand existing healthcare coverage and the importance of alternative financing mechanisms to support greater access.

The private sector has the potential to provide complementary financing for health in APEC Economies. For example, the private sector can offer innovative and tailored health insurance products to supplement mandated public funding provided the regulatory environment allows such mechanisms to be adopted and operationally deployed in an economy. Private investors can partner with governments and development agencies to provide innovative complementary health financing packages. As such, the private sector can be a source of disruptive innovation - developing simpler and cheaper delivery models that enable the participation of new consumers previously excluded from traditional markets.<sup>iii</sup> However, the private sector has had limited engagement in health financing in APEC developing economies to date largely due to underdeveloped legal and regulatory frameworks and business enabling environments that are not conducive to investments of this nature.<sup>iv</sup> By assessing and improving their own policy and regulatory environment for alternative health financing mechanisms, APEC economies will be taking the first step to harness the full potential of these mechanisms to help maintain and expand healthcare coverage.

## **APEC Enablers of Alternative Health Financing Checklist**

Within this context, the LSIF and Health Working Group (HWG) developed this *APEC Checklist of Enablers for Alternative Health Financing*. The Checklist is intended for use as a tool by policymakers in APEC economies to assess the current policy and regulatory environment for enabling the adoption and deployment of alternative financing mechanisms. This exercise may help economies identify some of the unintended policy, regulatory, and institutional barriers that may be inhibiting the adoption and deployment of these alternative mechanisms, and to balance regulatory and policy reform with the imperative to maintain and expand health care coverage consistent with the 2030 Sustainable Development Goals.

In a similar structure to the *2008 LSIF Enablers of Investment Checklist*, this document consists of a set of overarching principles that guide the direction of the assessment. Each of these principles identifies specific enablers of an environment that is supportive of alternative financing, in addition to a set of questions geared towards demonstrating the current successes and areas for improvement within the economy.

### **Overarching Principles**

APEC affirms the importance of promoting the following critical principles for enabling alternative financing mechanisms in the health sector:

- 1. Political will and government coordination:** Make improving health outcomes a priority
- 2. Good Governance:** Maximize efficiency in public healthcare investment
- 3. Private Sector Engagement:** Promote private sector engagement in developing healthcare solutions
- 4. Legal and Regulatory Frameworks:** Adopt clear, non-discriminatory, consistent, yet flexible legal and regulatory frameworks
- 5. Health and Financial Literacy:** Foster a growth in cultural norms and societal beliefs around the importance of health care, the value of insurance, and the role of government and the private sector
- 6. Quality Data and Evidence:** Improve the quantity and quality of health data.

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1. Political will and government coordination: Make improving health outcomes a priority	
<p>Healthcare should be seen as a long term <i>investment</i> with returns collected in the form of longer healthier lives, a more productive workforce, and the development of a valuable sector for jobs and growth. To ensure this happens, political will must be established that prioritizes healthcare at the same level as other investments of public funds. Political will and government coordination are necessary to realign budgetary priorities, target burdensome regulations, coordinate with the private sector, and remove redundancies, among other issues.</p>	
Enabler	Comment
<input type="checkbox"/> Clear direction from senior leadership to prioritize investments in health as both a prerequisite for long term economic growth and as an independent contributor to the economy	
<input type="checkbox"/> High-level recognition that health is considered as a public investment with a measurable return (such as with infrastructure or education) as opposed to a cost	
Key Questions / Performance Indicators	Comment
<input type="checkbox"/> What is the % GDP public investment in healthcare?	
<input type="checkbox"/> What is the share of government health spending as a percentage of total government spending?	
<input type="checkbox"/> Where does health rank in terms of priorities for investment of public funds (as compared to % GDP expenditure in other areas)?	
<input type="checkbox"/> Is there a whole of government approach to health? Which ministries/departments/agencies are involved in developing and implementing healthcare policies? Which policies define and govern relationships between agencies and fund flows?	
<input type="checkbox"/> Are innovative tax structures currently in place or being developed, that specifically fund healthcare?	
<input type="checkbox"/> Does the government (economy-wide, regional, or local) have input in setting health sector priorities?	
<input type="checkbox"/> Are the government (economy-wide, regional, or local) coordinated on healthcare spending and engagement with private sector stakeholders? <sup>1</sup>	

<sup>1</sup> Private sector includes any non-governmental stakeholder whether for profit or not for profit

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2. Good Governance: Maximizing efficiency in public healthcare investment	
<p>Maximizing public healthcare investment is dependent on good governance practices that drive efficiency and eliminate waste. Essential to funding healthcare on an economy-wide level is growing revenue through a strong tax system, crafting a budget that can be executed, and cutting through unnecessary and redundant processes. Alternative financing mechanisms work best in a complementary environment to traditional financing mechanisms making good governance an essential component of an enabling environment.</p>	
Enabler	Comment
<input type="checkbox"/> Robust formal work force with a system of efficient taxation and/or method for indirect taxation of the informal sector	
<input type="checkbox"/> Ability to collect taxes at point-of-sale and earmark for health purposes	
<input type="checkbox"/> Adequate taxation enforcement abilities	
<input type="checkbox"/> Reduced administrative burden and bureaucracy	
<input type="checkbox"/> Budget flexibility in line items that allows for timely disbursement of funds for additional health related needs	
<input type="checkbox"/> Secure and efficient supply chains that are protected from fraud and abuse	
<input type="checkbox"/> Streamlined and efficient health system procurement, purchasing, distribution, accounting, monitoring and service delivery systems	
Key Questions / Performance Indicators	Comment
<input type="checkbox"/> Are policies and enforcement mechanisms currently in place that maximize revenue directed to the health sector?	
<input type="checkbox"/> Are anti-corruption policies and enforcement mechanisms in place?	
<input type="checkbox"/> What are the health budget execution rates? For example, what is the % of government health funding that reaches services delivery?	
<input type="checkbox"/> What is the share of public spending on health that goes to the low income segment of the population?	
<input type="checkbox"/> Do metrics exist that measure waste, administrative costs, supplier inefficiencies, and the incidence of fraud and abuse?	
<input type="checkbox"/> Is there any performance assessment system for public investment?	
<input type="checkbox"/> Is public investment allocated based on performance assessment?	
<input type="checkbox"/> Is there a strategic plan for the health sector which is aligned with the distribution of the burden of disease?	

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<input type="checkbox"/> For development assistance eligible economies, are there adequate donor coordination mechanisms to align external financing with government priorities, processes, and the health budget?	
<input type="checkbox"/> Are there public procurement policies, regulations that are context-specific, fit for purpose, transparency and value for money for buying medicines, medical equipments and supplies?	

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3. Private Sector Engagement: Promote private sector engagement in developing healthcare solutions	
<p>The private sector should be treated as a key partner for access to financing and for improving access to high quality, innovative health care products, facilities, and services. Collaboration with private players through Public Private Partnerships (PPPs) can be a key tool for governments. To succeed, PPPs need transparent, stable contracts with clear expectations and guidelines. Governments should review regulatory measures to ensure that there are no unintended consequences of regulation and that they are not overly burdensome. Options that include private players help grow coverage and ease pressure on public financing.</p>	
Enabler	Comment
<input type="checkbox"/> Openness from government to working with the private sector	
<input type="checkbox"/> Ability to enforce PPP regulations at the economy-wide and local levels	
<input type="checkbox"/> Regular, consistent contact between government and private sector to ensure smooth day-to-day operations	
<input type="checkbox"/> Mutually agreed performance metrics that ensure PPP project quality and protect both the public and private interests	
<input type="checkbox"/> Facilitation of private sector investments in healthcare infrastructure and delivery	
Key Questions / Performance Indicators	Comment
<input type="checkbox"/> Are there existing public private partnerships in the healthcare sector?	
<input type="checkbox"/> What aspects of the healthcare system is the private sector involved in?	
<input type="checkbox"/> Are privately funded healthcare facilities and services viewed as supplementing/complementing the public health sector or as competition?	
<input type="checkbox"/> Does your government contract with private sector healthcare facilities and/or healthcare service providers?	
<input type="checkbox"/> Do policies exist that prevent or stipulate how private companies may contribute to health financing, service delivery, or healthcare infrastructure?	
<input type="checkbox"/> What is the availability of supplementary health insurance options beyond basic coverage?	
<input type="checkbox"/> Has government worked with the private sector health insurers to identify market segments that should be in full or in part covered by the private sector?	
<input type="checkbox"/> Do tax incentives, or other incentives, exist to promote private financing mechanisms in the health sector?	

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4. Legal and Regulatory Frameworks: Adopt clear, non-discriminatory, consistent, yet flexible legal and regulatory frameworks	
<p>Private sector participation in the health insurance market can significantly ease the burden on public financing of health. To generate investor interest and provide a stable environment for market entry, potential investors need clear, consistent, yet flexible regulatory frameworks. Regulatory processes should be designed with inputs from all stakeholders and be enforceable. While serving the intended purpose, regulation should also aim to reduce burdens on both foreign and local private participation in markets.</p>	
Enabler	Comment
<input type="checkbox"/> Consistent, transparent, and non-discriminatory enforcement of rules, regulations, and contracts for all private and public entities	
<input type="checkbox"/> Transparent, efficient, and non-discriminatory processes for issuing insurance product approvals, permits, and licensing	
<input type="checkbox"/> Contract agreements that are protected from arbitrary or discriminatory changes in law	
<input type="checkbox"/> Independent dispute resolution for private sector engagements	
<input type="checkbox"/> Ability for private stakeholders to establish in foreign markets	
Key Questions / Performance Indicators	Comment
<input type="checkbox"/> Does economy-wide and/or local-level legislation exist that clearly identifies the terms of private sector engagement in PPPs in the healthcare sector? <sup>v</sup>	
<input type="checkbox"/> Are PPPs in the healthcare sector regulated by a single governing authority?	
<input type="checkbox"/> Are there measures in place to protect commercially sensitive information during the formation and operation of public – private contracts?	
<input type="checkbox"/> Are there measures in place to protect individually sensitive client / patient information within public – private contracts?	
<input type="checkbox"/> Are there protections in place to reduce risk in private-public contracts due to political change and/or unintended consequences of changes in law?	
<input type="checkbox"/> Are patient populations, civil society, and industry included in the government's rule making process?	
<input type="checkbox"/> Is there an adequate comment period in the government's rule making process that is consistent with international best practice?	
<input type="checkbox"/> Is there a public posting of draft rules (e.g. official register, notice of proposed rule-making, e-Government public portal)?	
<input type="checkbox"/> Is guidance provided online (e.g. through a government portal) by the	



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appropriate department or agency on how to comply with new policy or regulation?	
<input type="checkbox"/> In the drafting of new regulations, is consideration given to regulatory alignment with other economies?	
<input type="checkbox"/> Are the regulatory authority's disclosure policies consistent with domestic laws on access to information?	
<input type="checkbox"/> Are regulatory impact analyses conducted with the inclusion of health outcomes on economic development?	
<input type="checkbox"/> Are enforcement authorities established and is there capacity for consistent enforcement of the regulations?	
<input type="checkbox"/> Can private international firms invest in and own healthcare facilities?	
<b>Health Insurance Sector</b>	
<input type="checkbox"/> Are there differences in geographic limitations on where foreign companies versus domestic companies may establish?	
<input type="checkbox"/> Are clear deadlines and criteria established for health insurance product approvals?	
<input type="checkbox"/> Are multiple health insurance options available? (public, private, blended and stacked funding plans, as well as riders)	
<input type="checkbox"/> Are there limitations on types of assets in which the health insurer can invest?	
<input type="checkbox"/> Are there limitations on the location of assets in which the health insurer is allowed to invest (i.e., limiting to domestic bonds as opposed to overseas investments)	
<input type="checkbox"/> Are there solvency and capital reserve requirements? Do these differ between domestic and foreign firms?	
<input type="checkbox"/> Are there stock listing or delisting requirements that vary between domestic and foreign firms?	
<input type="checkbox"/> Are there citizenship requirements for key corporate personnel or boards of directors?	
<input type="checkbox"/> Are there restrictions on employment practices (i.e., who can work as agents)?	
<input type="checkbox"/> Do limitations exist on brokerage/agency services as opposed to individual insurance companies that sell one brand of insurance?	
<input type="checkbox"/> Do limitations exist on reinsurance (i.e., requirement to purchase some or all of reinsurance from local companies)?	
<input type="checkbox"/> Does a foreign equity cap exist on establishing a new health insurance business?	

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<input type="checkbox"/> Do limitations exist on the form of establishment (i.e., not allowing branches thereby limiting to wholly-owned subsidiaries)?	
<input type="checkbox"/> If policies are in place that limit foreign ownership are there provisions that protect foreign companies from divestment once established (allow for grandfathering with acquired rights)?	

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5. Health and Financial Literacy: Foster a growth in cultural norms and societal beliefs around the importance of health care, the value of insurance, and the role of government and the private sector	
<p>Out-of-pocket spending on adverse health events drives 100 million people into poverty annually.<sup>vi</sup> Innovative healthcare financing and particularly long term healthcare financing could greatly improve this statistic but will require significant shifts in mindset and culture for citizens to embrace health insurance or other means of protection from future adverse health events. One of the key components of long term health financing is the element of trust between purchaser and provider. Much of the success in this area will require promotion by the government and trust between the government, the general public, and the private sector.</p>	
Enabler of Investment	Comment
<input type="checkbox"/> A culture of financial preparedness with the use of health insurance for expected and unexpected negative health events	
<input type="checkbox"/> A culture of mutual trust, dependability, and partnership between public and private sector, with all parties working towards the same goal of improving access to care	
<input type="checkbox"/> Health literacy and financial literacy regarding health insurance and its value	
<input type="checkbox"/> A societal and political will to reduce out-of-pocket spending for healthcare	
Key Questions / Performance Indicators	
<input type="checkbox"/> Are health, financial, and insurance literacy components of the domestic education system? <sup>vii</sup>	
<input type="checkbox"/> Do government programs exist that highlight the benefits of health insurance as a way of defraying future out-of-pocket spending by individuals and families on their healthcare?	
<input type="checkbox"/> What are out of pocket expenditures for health in your economy and which income segment (s) of the population are making these payments?	

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6. Quality Data and Evidence: Improve the quantity and quality of health data.	
<p>Standardized collection and analysis of health data (with appropriate privacy and security protections), are critical elements for determining problems, analyzing solutions, and eliminating waste. Quality data is one of the cornerstones of increasing and optimizing public and private investment in health services.</p>	
Enabler of Investment	Comment
<input type="checkbox"/> The consistent collection of data on access to healthcare, quality/outcomes of healthcare, and cost/utilization of healthcare services for use by the public and potentially the private sector <sup>2</sup>	
<input type="checkbox"/> Consistent intervals for data gathering that are coordinated by a designated entity	
<input type="checkbox"/> Mechanisms to ensure the accuracy and completeness of data from both urban and rural settings	
<input type="checkbox"/> Mechanisms to ensure the accuracy and completeness of data for all income levels	
<input type="checkbox"/> Measurement of population specific health needs and outcomes from tailored health services	
Key Questions / Performance Indicators	
<input type="checkbox"/> What health data is currently being collected on an economy-wide basis and how is it protected? <sup>3</sup>	
<input type="checkbox"/> What data is available to the private sector and what are the protection requirements of the private sector?	
<input type="checkbox"/> Do training programs exist regarding the collection of high quality data?	
<input type="checkbox"/> Are there institutional structures in place that track specific health needs by populations and measure outcomes?	

<sup>2</sup> In accordance with APEC Cross Border Privacy rules in addition to relevant domestic and international data privacy obligations

<sup>3</sup> Health data covers three main areas: data on access to healthcare; data on quality/outcomes of healthcare; data on cost/utilization of healthcare service.

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<sup>i</sup> The Impact of Health on Worker Attendance and Productivity in the APEC Region, VISES, July 2014

<sup>ii</sup> Cost of Early Retirement due to Ill Health, Victoria Institute of Strategic Economic Studies Victoria University, Melbourne July 2015

<sup>iii</sup> Background Paper First Universal Health Coverage Financing Forum Raising Funds for Health  
<http://pubdocs.worldbank.org/en/103621460561160053/DRM-policy-note-041216-clean.pdf>

<sup>iv</sup> Background Paper First Universal Health Coverage Financing Forum Raising Funds for Health  
<http://pubdocs.worldbank.org/en/103621460561160053/DRM-policy-note-041216-clean.pdf>

<sup>v</sup> Canada and Mexico among others have clear legislative authorization for PPPs of various types allowing for transparent and fair interactions with private partners

<https://ppp.worldbank.org/public-private-partnership/sub-national-and-municipal-policies-laws-and-regulations>  
<https://www.hsph.harvard.edu/ihsg/publications/pdf/PPP-final-MDM.pdf>

<sup>vi</sup> Protecting households from catastrophic health spending. Xu K, Evans DB, Carrin G, Aguilar-Rivera AM, Musgrove P, Evans T. Health Aff (Millwood). 2007 Jul-Aug; 26(4):972-83.

<sup>vii</sup> Japan and Indonesia have adopted strong emphases on financial literacy through inclusion of financial education within domestic strategies. One example from Indonesia was the “Let’s Go to the Bank” campaign and other pilot projects which integrated financial literacy into elementary and junior high curricula.

[http://www.oecd.org/daf/fin/financialeducation/4%20WIBOWO%20Pungky%20Purnomo%20FI\\_Cebu%2007092012%20rev.pdf](http://www.oecd.org/daf/fin/financialeducation/4%20WIBOWO%20Pungky%20Purnomo%20FI_Cebu%2007092012%20rev.pdf)