Health Financing Policy Options for Action Afghanistan 2020

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Acronyms

ARTF	Afghanistan Reconstruction Trust Fund
BHC	Basic Health Center
BPHC	Basic Package of Health Services
EMIS	Expenditure Management Information System
EPHC	Essential Package of Hospital Services
EU	European Union
GFF	Global Financing Facility
GIRoA	Government of the Islamic Republic of Afghanistan
HEFD	Health Economics and Financing Directorate
HFS	Health Financing Strategy
HIF	Health Insurance Fund
HS	Health System
IPEHS	Integrated Package of Essential Health Services
MHIF	Mandatory Health Insurance Fund
MoF	Ministry of Finance
MoPH	Ministry of Public Health
NCD	Non-Communicable Disease
NGO	Non-governmental organization
NHA	National Health Accounts
OOP	Out of Pocket
PETS	Public Expenditure Tracking Survey
PFM	Public Finance Management
PPP	Pubic Private Partnership
SDG	Sustainable Development Goal
SHC	Sub Health Center
UHC	Universal Health Coverage
USAID	United States Agency for International Development
VAT	Value Added Tax
VfM	Value for Money
WBG	World Bank Group
WHO	World Health Organization
WTP	Willingness To Pay

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About this report

This report addresses current barriers, assesses the various policy options and recommends government actions for the improvement of health financing functions in Afghanistan in order to achieve health financing objectives defined in the Health Financing Strategy 2019-2023 and pave the way toward UHC. The paper is targeted towards the policy makers in MoPH, MoF and other authorities involved in financing of health services both within government and donor agencies. This report is prepared by WHO consultant Mr Dejan Loncar.

Objective

The objective of this paper is to analyze and propose a range of effective health financing policy options in the Afghanistan's financial constraint context to improve coverage, access to quality health services, financial protection of people of Afghanistan and capacity and resilience of the health system. A more specific objective of this study is to elaborate on the current barriers in each health financing area of work such as governance and policy development, revenue raising, pooling, purchasing and provider payment and recommend policy directions focusing on a short and medium time frame. The policy conceptualization in this study has been based on an extensive dialog, analyses and recommendations formulated in: the Health Financing Assessment Report 2020, Fiscal Space Analysis for Health in Afghanistan 2020 done by MoPH and WHO and other relevant documents.

Background

The Government of the Islamic Republic of Afghanistan (GIRoA) is under considerable pressure from non-communicable, communicable diseases and injury mortality and morbidity; a growing population and the need to adapt for more effective health service standards to combat the high disease burden. Since 2002, through implementation of Basic Packages of Health Services (BPHS) and Essential Packages of Hospital Services (EPHS), substantial effort has been made to rebuild an almost devastated health-care system in Afghanistan, which resulted in remarkable progress in the development of a health care system and improving health's outcomes of especially child and maternal mortality. Even though there has been significant progress in the improvement of health outcomes, there is a lot of space for enhancing effectiveness and quality of health care and improving accessibility and affordability of health care to all citizens of Afghanistan. The major challenges facing Afghanistan in trying to restructure their health care system include a lack of security, low economic development and government investments in health, poor infrastructure, difficult access to health care facilities, unsuitable hospital conditions, insufficient quality of care, and few trained health care workers.

Health financing in Afghanistan has been characterized and challenged by very high OOP health spending, high donor dependence and low government health financing. The backbone of Afghanistan's health system is the implementation of BPHS and EPHS that is almost fully financed by donor funding and OOP health spending. As no formal user fees are charged in BPHS and EPHS health facilities, a reliance on the OOP might be due to insufficient medicine and supplies in health facilities that push people to make medicine purchases from the

private sector. Despite various health financing reforms efforts to improve access and affordability of health services for Afghanistan's citizens, out of pocket health spending has remained at about 75.5% of total current health expenditure. Furthermore, Afghanistan's health system has been heavily dependent on donors' financing, which accounts for about 19.4% of total current health expenditure. GIRoA is still not able to take over full financial responsibility for this highly impactful programme. The high OOP health spending is the biggest concern coupled with low socio-economic status of people of Afghanistan. The total domestic public health spending is low while the revenues raised through prepayment mechanisms are still too insufficient to address the critical health system barriers. The Government's share in health is at a very low level due to lagging economic development, high costs of public security and safety and other government non health related priorities.

Methodology

This policy paper based its analyses and recommendations on the WHO Health Financing Assessment mission in Kabul in February 2020 and referenced health financing documents from the MoPH, MoF, WHO, WBG, USAID and other relevant publicly available documents. The valuable experts' opinions were obtained from numerous individual and focus group interviews of all relevant in-country and regional stakeholders. The findings from the WHO Health Financing Assessment were communicated and validated with the MoPH and other members of Health Financing Working Stakeholder Group.

Executive Summary

Despite numerous challenges the MoPH, with other in-country stakeholders, has managed to make progress and improve population and individual health outcomes. Quality and responsiveness of the health system, coverage and equity were mainly improved through the introduction of Basic Packages of Health Services and Essential Packages of Hospital Services and contracting out to the NGO service delivery mechanism. There are several systematic barriers that have been constantly preventing the MoPH to effectively implement proposed health financing reforms and that result in lower accessibility, quality of health care and absence of financial protection of the citizens of Afghanistan. The main challenge of healthcare in Afghanistan lies primarily in the acute scarcity of resources and low government contribution to the health sector. The MoPH in the short run should improve efficiency, equity in the distribution of resources, and transparency and accountability, which are the immediate objectives for Universal Health Coverage (UHC). The efficiency and equity in the distribution of resources has almost the same potential effects as increasing the level of public health spending, as the savings through efficiency gains can be redistributed within the health system. The MoPH and HEFD have been very proactive and maintain high readiness in the development of key evidence-based analyses and papers to boost health care progress and most importantly the implementation of health financing policies and reforms. Nevertheless, in practice the progress has been very slow due to: low prioritization of health, lack of legal and regulatory frameworks, insufficient government technical capacity and lack of consensus between key in-country stakeholders about direction in health financing reforms. There is a need for certain improvements in the areas of: revenue collection, pooling and financial protection, public private partnerships (PPP) structural arrangements, strategic purchasing, provider payment mechanism to incentivize quality and utilization of needed and cost effective healthcare services, public financial management, healthcare allocative and technical efficiency and labor productivity. High dependence on international funding that has been predominantly financing BPHS and EPHS as a backbone of Afghanistan's health system might be a critical barrier in very near future. The global economic shock because of COVID 19 might significantly reduce international funding and seriously affect the functioning of the health system of Afghanistan. Afghanistan is still heavily reliant on OOP as the dominant financing mechanism and the consequences are yet to exacerbate as health expenditures increase if prompt government interventions are not taken into account especially during the pandemic emergency witnessed today.

Firstly, the MoPH and MoF might establish a task force group to ensure stronger synergies, development results and the enhancement of fiscal space through implementation of recommendations from Strategic Revenues Generation Framework. Secondly, the health planning, budgeting and operative functions can be strengthened through the utilization of one health sector work plan and budget and all stakeholders' consensus about key policy reforms. The MoPH with all relevant in-country stakeholders needs to be focused on several key policy reforms to be implemented in a defined timeframe. Thirdly, purchasing and provider payment functions can be significantly improved in both public and NGO health care provider sectors to incentivize human resources for health to strengthen quality and utilization of needed healthcare. The government should improve the efficiency of health spending through more strategic purchasing and implementation of public-private partnerships, mostly in regards to medicine and medical equipment.

To improve health financing functions and reduce the very high OOP health spending over the medium to long term and ensure access to quality healthcare services for the population, especially the poor and near poor, the relevant government authorities need to:

- Ensure consensus and buy-in of all key stakeholders related to key health financing policy directions and workplan and support a stronger role of off budget programmes on MoPH strategy and policies which would bring more alignment between on and off budget with all relevant in-country stakeholders.
- The MoPH is advised to proactively strengthen advocacy efforts and engage with key donors to target and include relevant technical and decision-making partners from MoF and parliament to support the implementation of key health financing reforms that can be achieved in the short and medium time-frames. The MoPH needs to discuss and re-affirm the working arrangements with MoF on a technical level to reflect the changing realities in which both partners operate to benefit from a mutual understanding of needs, budgeting processes, demand generation and communication of key messages to top managerial level.
- Establish a high level committee which will discuss high level health financing priorities, oversee the implementation and results, coordinate decision making on the new health financing strategy 2019-23, monitor programme indicators and give recommendations on off and on budget allocations.
- Stability and predictability of funding are crucial for mid to long term planning, however, due to COVID 19 it would be useful that MoPH obtains updated information regarding donor health investment commitments. The pandemic has made policy makers rethink the existing budget allocations across sectors and within the health sector. These re-allocations ought to be seen with consideration of efficiency gains and considered as sources for potential increase of fiscal space of health and optimization of resource allocation within health sector. In order to improve the health of citizens of Afghanistan the key priority of GIRoA is to increase the currently very low domestic public health spending in real terms.
- Re-analyze the feasibility and address the barriers of revenue generation options defined in Strategic Revenues Generation Framework and Fiscal Space Analysis with top decision makers from MoF, map several realistic options to be implemented focusing on "Sin" and especially tobacco taxes. Through fiscal space analysis explore potential revenue generation from the government budget in various scenarios such as absorption of security and public safety costs once the security situation improves in Afghanistan.
- Despite the reduction in projected donor funding, MoPH with MoF should adapt the current resource mobilization strategy through demonstration of international aid results and impact.
- Strengthen the regulations regarding user fees, PPP, providers' accreditations and medical licenses and implement appropriate fees for services to support rational use of medicines.
- Continue with a strong effort in developing a social health insurance law and regulations and establishing an appropriate national institution to govern the social health protection schemes.

- The informal sector constitutes a high proportion of the total economy in Afghanistan, where it is very difficult to collect contributions for health insurance. Due to a sizeable informal sector, the contributory system in Afghanistan should issue insurance policies to families rather than individuals. A mandatory health insurance fund should be pooled at a national level to distribute funds more equitably and increase equality of access across regions, improve financial protection and lessen informal payments. In this context, the MoPH needs to gather more information regarding the informal sector, the poor segment of the population and the ability of citizens of Afghanistan to pay for health insurance. It is important that strong engagement is continued in the development of a mandatory national health insurance scheme, which will include basic and essential services firstly for the formal sector with cross-subsidization; secondly, in the informal sector by providing subsidized premiums for people unable to pay the full price by partnering with the private health sector.
- A greater financial autonomy that assigns user fee revenue generation and expenditure responsibility to public health facilities, needs to be given to public hospitals to improve management, efficiency and quality of healthcare services, utilization of high cost effective health interventions, staff planning, and service pricing and delivery.
- HEFD should lead the study to identify, elaborate, and address reasons of high OOP health spending. This analysis can be used for designing of beneficiary packages.
- Assess, elaborate and address challenges in the implementation of a contractual agreement between purchaser and provider of BPHS and EPHS health services such as: lack of providers' understanding of performance payment mechanism, effectiveness of such mechanism on providers' motivation to provide high quality of needed and cost effective health services and lack of providers' capacities to supply basic and essential medicines guaranteed by BPHS that causes an increase of OOP health spending.
- Support the implementation of strategic purchasing functions focusing on the reduction of fragmented purchasing and exploring economies of scale in the procurement of drugs and medical supplies. The procurement of medicines for all NGOs managed health facilities can be organized through one NGO which will be responsible for ensuring sufficient quantity and quality of cost efficient medicines in all health facilities at all times. Mitigate PFM barriers to improve strategic purchasing and provider payment functions.
- In this context, a public-private partnership model should be considered for outsourcing of medicine supplies and diagnostic services to the private health sector with strictly negotiated and fixed prices of selected essential drugs and provision of incentives for private providers through economy of scale.
- Incentivize higher healthcare quality in public hospitals through more effective provider payment mechanisms.
- Strengthen resource tracking mechanisms enhancement in favor of health financing governance enhancement, strengthen use of data and promote institutionalization of costing in all MoPH decisions.

More detailed recommendations are provided below by health financing components.

Health Financing Policy Recommendations

Governance and Policy Making

The Health Economics and Finance Directorate (HEFD) within MoPH has put in a strong effort in the development of several health financing studies, analysis, rapid assessments and policy documents to boost progress in health financing area of work following health financing strategy of MoPH. However, GIRoA can benefit from harmonization and alignment of strategic and operative planning, budgeting, monitoring and advocacy efforts between all relevant in-country stakeholders. Currently there is insufficient MoPH focus on building capacity in evidence informed advocacy and negotiation.

Recommended policy options:

- Ensure consensus and buy-in of all key stakeholders (MoPH, MoF, WBG, WHO, USAID, EU, GFF, etc.) related to key health financing policy directions and harmonize joint work plans and budget. Support one joint health plan and budget in MoPH to improve overall effectiveness and VfM. WHO in coordination with MoPH to continue providing technical expertise and building local capacity, but critically, support bringing together and coordinating stakeholders and development partners working in all aspects of the health sector.
- Health financing policy dialogue should explore opportunities to obtain both flexibility in budget allocations to move away from strict line-item controls while still ensuring output-oriented accountability for the use of public funds.
- The Ministry of Finance as a key revenue stakeholder ought to be included in the unique requirements of health budgeting and acknowledge the importance of pooling and purchasing arrangements to direct limited public funds to priority populations, programs, and services. They should be willing to allow flexibility in PFM rules that make it possible to match funding to health sector priorities, while at the same time ensuring accountability.
- In order to enhance the opportunities for a productive health financing dialogue, the Ministry of Health should aim to show strategic plans with realistic cost estimates, address and quantify potential efficiency improvements, and commit to clear and realistic measurable objectives for which they can be held accountable.
- The MoPH should identify and include pioneers among parliamentarians who will be included in key health financing debates and promote implementation of health financing policy reforms. In this regard, the MoPH is advised to hire a public health communication specialist.
- The MoPH is advised to proactively strengthen advocacy efforts and engage with key donors to target and include relevant technical and decision-making partners from MoF to support the implementation of key health financing reforms that can be achieved in the short and medium time-frames.
- Improve advocacy and negotiation capacity of MoPH staff at all levels and especially HEFD to engage and implement advocacy efforts defined in Health Financing Strategy 2019-2023. Ensure and strengthen HEFD staff with activities such as: technical capacity development, sufficient and sustainable funding and number of staff needed to maintain proactive role of HEFD in health financing policy development. In this respect, it is recommended that a technical capacity assessment is conducted and subsequently a capacity development plan made for the HEFD unit. MoPH should focus on building capacity in evidence informed advocacy and negotiation.
- In its next phase of health financing strategy operations, the MoPH should continue to demonstrate its high readiness in terms of production of high level studies and evidence based papers to support health financing policy development but focus on policies for action that can be realistically implemented in the short and medium term, with the perspective of a longer term health financing policy in mind.

- Ensure that health financing studies and policies are integrated into a wider health system (e.g. nutrition) and other sectorial perspectives (e.g. social affairs and education).
- A need has arisen for a high level committee to be established which will discuss high level health financing priorities, oversee the implementation and results, coordinate decision making on the new health financing strategy 2019-23, monitor programme indicators and give recommendations on off and on budget allocations. It is still to be decided on the best way in which to include the MoF, parliamentarians, international stakeholders, and other Government bodies in the oversight of recommendations on strategic policy reforms. The committee could serve as a forum for overall coordination of the health budget recommendations and for the approval of important policy and strategic decisions.

Revenue Raising

The macroeconomic situation in Afghanistan has been characterized by unstable fiscal sustainability and low investment confidence due to a poor security situation, with growth slowing to 1.8 % in 2018 (World Bank 2020), and low GDP per capita at 513 USD (IMF 2020). The share of the government health budget from the central government budget was 4.2 % in 2019 (HFS 2019). The percentage of public health expenditure and domestic public health expenditure out of total health expenditure in 2017 was 5.1% and 2% respectively (NHA 2017, HFS 2019). The 19.4% of total health expenditures and 58.3% of total government expenditure came from foreign financing (NHA 2017). The current health spending per capita in 2017 remains low at 81 USD where 75.5% of total health expenditures are OOP health expenditures and 10% of OOP health expenditures were incurred abroad. Household expenditures on medicines and diagnostics were estimated at 47% and 35% respectively in 2017. Health expenditure in 2017 pushes approximately 14% of households into poverty, with an overall poverty rate of 54% in the country (NHA 2017).

Firstly, as repeatedly stated in the NHA reports, the biggest health financing concern is that direct OOP health spending is a major source of financing (75.5%) for health services in Afghanistan. Secondly, very low government share of financing the health sector is also worrisome, as it is coupled with high international funding dependence. There is a high level of probability that after COVID 19 time will bring new global economic challenges which might cause a significant decrease in international funding. In these circumstances, urgent government action is needed to ensure financial and programmatic sustainability of health programmes in Afghanistan. On the positive side, the recently signed peace agreement between the USA and Talibans supported by Government of Afghanistan might improve the security level in Afghanistan and therefore release more fiscal space for health.

In order to ensure financial risk protection for all and remove financial barriers to health care utilization, policymakers need to boost policy reforms into action to reduce the very high OOP health spending through increasing of domestic public health expenditures and pre-payment mechanisms. The lack of adequate financial protection is attributed to low government funding, fragmentation of resources and low pre-payment coverage. Direct OOP places the burden of bearing the costs of illness on the sick person and their families, therefore, it is a major contributor to inequities. There is a concern that an increase of user fees in the public health facilities will increase out of pocket health expenditures that will consequently lead the country to burdening social subgroups unequally. Thus, to mitigate negative effects of user fees and incentivize utilization and quality of health care from the supply side, raising publicly financed health expenditures is highly recommended. On the other hand, to benefit from the generated user fees to improve quality of health services, the MoF needs to provide more financial autonomy to public hospitals under the reformed public financial management rules.

The MoPH has been exploring commonly used and innovative mechanisms for revenue raising through: an increase of the share of health from central government revenue by giving higher priority to health in government budgeting; implementing earmarked taxation for health; increasing predictability of financing, maintaining current and even raising additional external funding; applying progressive user fees; increase of absorption capacities in budget

execution; maximizing the use of existing resources - efficiency gains; implementing VAT, tobacco taxation and utilizing Zakat and Takaful funding. Unfortunately, the progress has been very limited so far. It appears that the MoPH needs more support and political willingness from the Government of Afghanistan to benefit from the proposed revenue generation schemes. It seems as though there is often a lack of communication and disconnect between MoF and health sector policy making, with key fiscal decisions made by MoF in the absence of a clear understanding of the potential consequences for the health sector. A basic framework that places health financing in the broader context of macroeconomic and fiscal policy and public financial management (PFM) rules would help support a more informed dialogue between health sector leaders and central budget authorities, typically MoPH and MoF. In addition, the MoPH should be able to have a better investment look into public health spending to be able to demonstrate gaps in funding and VfM analyses.
Government spending on health is very low and despite an extremely high OOP at this moment there appear to be no clear indications that the government is willing to increase investments in the health sector despite the fact that it is almost certain that donor contributions will be considerably reduced. In these circumstances, the MoPH is encouraged to continue its advocacy efforts for increasing of government contribution to health and to be more focused on overcoming the barriers for generation of potential revenue from other revenue streams such as earmarked taxation, user fees and donor funding.

Recommended policy options:

- In collaboration with MoF analyze effects of the COVID-19 pandemic on national economic downsizing and health sector budget and prioritize investments in health, particularly in key areas such as maternal and child health. Moreover, financial reliance and dependence of MoPH on external health funding, today more than ever before, might increase health financial risk toward sustainability of BPHS and EPHS health programmes. Stability and predictability of funding are crucial for mid to long term planning, thus it would be useful that MoPH obtains updated information regarding donor health investment commitments and communicates these findings with MoF and other top Government decision makers.
- Afghanistan has responded to the COVID-19 crisis by implementing fiscal and monetary measures and reprogramming of existing expenditures towards the health care response. The pandemic has made policymakers rethink the existing budget allocations across sectors and within the health sector. These re-allocations ought to be seen with consideration of efficiency gains and considered as sources for potential increase of fiscal space of health and optimization of resource allocation within health sector.
- Re-prioritization of health should be a priority for the government and done in cooperation with all government stakeholders. Explore potential revenue generation from government budget in various scenarios such as absorption of security and public safety costs once security situation improves in Afghanistan.
- It appears that there are missed opportunities regarding collaboration between MoPH and MoF for stronger synergies and development results. In order to remedy this, it is suggested that a more explicit definition of roles and accountabilities is defined in this partnership. The MoPH needs to discuss and re-affirm the working arrangements with MoF on a technical level to reflect the changing realities in which both partners operate. Instead of inclusion and resolution of burning issues, the MoPH and MoF could benefit from a mutual understanding of needs, budgeting processes, demand generation and communication of key messages to top managerial level. Regularly update fiscal space for health analysis with strong engagement of MoF is highly recommended.
- Lead a constructive health financing policy dialogue that goes deeper into government budget allocations to better comprehend the challenges and opportunities for both increasing funding levels from the revenue side and making better use of funds to achieve health sector objectives from expenditure side. Reinforce dialog between the ministries of health and finance to achieve a common understanding of macroeconomic and fiscal constraints, and focus discussion on using funds within

the potential health resource envelope in the most cost-effective way to achieve health system objectives.

- Accelerate the reforms that will enable predominant reliance on public compulsory funding sources, with the design of a system that does not discriminate against the poor and financial autonomy of hospitals in order to maximize the efficiency of their resources.
- Re-analyze the feasibility and address the barriers of revenue generation options defined in Strategic Revenues Generation Framework and Fiscal Space Analysis with top decision makers from MoF, map a few realistic options to be implemented in short and medium term and develop a workplan supported by top government authorities.
- Reaffirm earmarked and "Sin" taxes as a source of new revenue. Notwithstanding, the opponents of earmarking argue that it imposes constraints on fiscal policy, which in turn reduces flexibility and possibly allocative efficiency, it is clear that fiscal space for health is in a very precarious situation and urgent action is needed to ensure financial sustainability of basic and essential health programmes. On the other hand, earmarking improves transparency and accountability by clearly linking the tax paid and the program results and reduces resistance from the tax payer. The earmarked taxation should be focused on tobacco taxes, as this causes major public health and socio-economics problems.
- Despite the reduction in projected donor funding, MoPH with MoF should adapt the current resource mobilization strategy through demonstration of international aid results and impact from traditional and non-traditional donors.

Pooling

Apart from the donor payments through ARTF to support implementation of BPHS and EPHS, there is no pooling function such as social health insurance. The country risk pooling and pre-payment arrangements are still in the initial stage of development partially due to lack of law and regulations in this area. To improve population health, productivity, and reduce uncertainty associated with health care expenditure the MoPH has initiated development of a health insurance law, however, due to lengthy procedures this law hasn't been approved yet. It appears that there is a certain reserve and lack of consensus between in-country stakeholders for the implementation of health insurance. The MoPH has conducted two phases of a health insurance feasibility study. The first phase assessed stakeholder interest, policy options and capacity to operate health insurance. The second phase was focused on key design features of health insurance such as benefit packages and premiums. The WTP study has showed that there is willingness by the citizens of Afghanistan to pay for health. The low quality of health care, lack of government political support and stakeholder consensus, huge informal sector, low government investment in health, low ability to pay coupled with unknown poor segment of population are major barriers that prevent the MoPH from effectively implementing a health insurance scheme. It is often difficult even to locate and assess the income of self-employed workers. It is clear that Afghanistan's citizens have a low ability to pay and will not voluntarily choose to contribute to insurance pools if it is too costly or if they do not perceive a benefit for themselves in terms of quality of healthcare and financial protection.

Recommended policy options:

- Ensure revalidation and in-country stakeholder consensus regarding health insurance scheme with more diverse risk mix within pools and consequently secure initial donor financing and funding through general tax revenues to support MHIF.
- Strengthen the quality of health care as one of the key components for a successful implementation of health insurance through the development of a PPP for private health facilities and hospital financial autonomy. In this context, government firstly needs to define and regulate private the for profit sector and secondly to develop scenarios for contracting out critical areas that are inefficiently covered by government

sector to the private for profit sector, implement financial models to subsidized commodities and explore options to enable private investments in secondary healthcare. A greater financial autonomy that assigns user fee revenue generation and expenditure responsibility to public health facilities, needs to be given to public hospitals to improve management, efficiency and quality of healthcare services, utilization of high cost effective health interventions, staff planning, and service pricing and delivery. In this regard, some efficiency gains can be achieved to prevent delays in procurement of medicines.

- Gather more information about: i) poor segment of the population; ii) private provider's capacities and willingness to invest in the health sector; iii) informal sector's ability to pay for health insurance.
- Continue with a strong government effort to mitigate barriers in developing a social health insurance law and regulations including PPP and establishing an appropriate national institution to govern the social health protection schemes.
- The informal sector constitutes a high proportion of the total economy in Afghanistan, where it is very difficult to collect contributions for health insurance. Due to a sizeable informal sector, the contributory system in Afghanistan should issue insurance policies to families rather than individuals. Mandatory health insurance fund should be pooled at a national level to distribute funds more equitably and increase equality of access across regions, improve financial protection and decline informal payments.
- In order to move towards universal coverage, it is important that strong engagement is continued in the development of a mandatory national health insurance scheme, which will include basic and essential services firstly for the formal sector with cross-subsidization; secondly, in the informal sector by providing subsidized premiums for people unable to pay the full price by partnering with the private health sector. Pilot a health insurance scheme on the formal sector in a few provinces to be able to set up fully operative and optimized health insurance fund (HIF) processing and administrative functions. These lessons will be crucial to expand HIF coverage to the rest of the country. Develop and pilot HIF to expand coverage to self-employed individuals, and the nonregistered employed individuals.
- In Afghanistan's case, raising resources for healthcare by pooling general budget revenues while collecting small, fixed co-payments from wealthy populations might be a good option, as it is virtually a form of mandatory health insurance contributions.
- Consider setting up a national health insurance fund (NHIF) as an independent legal entity to enhance effectiveness and sustainability of health insurance that have been already successfully operating in many countries such in Estonia, Kyrgyzstan, etc. This will include the mitigation of legal and regulatory barriers that might prevent NHIF to function as a legal and financial independent entity.

Purchasing of Health Services and Provider Payments

The delivery of BPHS and EPHS is a core Afghanistan health system strategy designed collaboratively between the MoPH and its international partners. The high OOP health expenditures in 2017 indicates that health allocation to BPHS and EPHS is either not sufficient or that there have been certain inefficiencies in the utilization of health services. Additionally, some of the big cities are outside the coverage of BPHS and EPHS and national, specialty and regional hospitals in these areas are extremely underfunded. The people of Afghanistan directly purchase medicine, supplies and diagnostics from the private sector due to shortages in public health facilities, especially in the public hospitals. PETS 2019 exercise has indicated that delays in budget disbursement to health facilities directly caused shortages in medicines. The Health Center Efficiency Study in 2018 showed that efficiency scores for BHC (78.7%) and SHC (73 %) can be improved for potential efficiency gains. The new Integrated Package of Essential Health Services (IPEHS) benefit package should replace BPHS and EPHS to address these gaps and improve overall effectiveness of healthcare. In order to reduce OOP health spending, the IPEHS consists of health services not included in the BPHS and EPHS which people directly purchase out of pocket from the market. Finally, all purchases take place at the central level and only small procurements related to goods

needed in provincial offices take place in the provinces. Despite the successful implementation of BPHS and EPHS there is still significant space for optimization and improvement of efficiency and effectiveness of BPHS and EPHS in public health facilities and NGOs. The existence of inefficiencies in purchasing and provider payments as well as constant delays in disbursement of health funds in implementation of BPHS and EPHS affect: high OOP health spending, insufficient quality of care and lower utilization of needed cost-effective health services in remote areas. These lessons have been incorporated in the development and implementation of new IPEHS. There is a performance-based payment as a form of financial incentive in NGO facilities for improving the efficiency and quality of care. However, these arrangements should be re-analyzed to be properly implemented. In public health facilities there are very little financial incentives for the health force to improve their performance. Government funding of public health facility providers is strictly based online-item budgeting, and financing mechanisms are not used as a management tool. Payments to health workers are on salary basis in government run hospitals and health facilities. Administrative protocols and hierarchical management are the prevalent tools for regulating organizational and individual behavior.

Recommended policy options:

- Analyze the extent to which the allocation of resources to providers is linked to population health needs, information on provider performance, or a combination of both.
- Conduct health effectiveness analyses to show impact of health financing strategies on health outcomes (i.e. incidence, etc.) including distributional impact and missed opportunities in investment in high impact preventive health interventions.
- Assess, elaborate and address challenges in the implementation of contractual agreement between purchaser and provider of BPHS and EPHS health services such as: lack of providers' understanding of performance payment mechanism, effectiveness of such mechanism on providers' motivation to provide high quality of needed and cost effective health services and lack of providers' capacities to supply basic and essential medicines guaranteed by BPHS that causes an increase of OOP health spending. In this context, a public-private partnership model should be considered for outsourcing of medicine supply and diagnostic services to the private health sector with strictly negotiated and fixed prices of selected essential drugs and provision of incentives for private providers through economy of scale.
- Provide extended training for NGO providers of services related to performance-based payment mechanism to ensure that these arrangements are properly implemented to incentivise the supply side to improve quality and utilization of needed healthcare services and reduce OOP health spending of the citizens of Afghanistan. The training needs to explain how low financial bids and consequently insufficient or delayed payments in the implementation phase can negatively impact performance and disincentivize health workers.
- Support the implementation of strategic purchasing functions focusing on the reduction of fragmented purchasing and exploring economies of scale in the procurement of drugs and medical supplies. The procurement of medicines for all NGOs managed health facilities can be organized through one NGO which will be responsible to ensure sufficient quantity and quality of cost efficient medicines in all health facilities at all times. Strengthen the stability and predictability of funding to support the strategic purchasing function.
- Reforms should consider ways to reduce medicine prices and promote rational use, strengthen administrative controls, and increase incentives for quality health care provision.
- Support purchaser provider split and the establishment of a single payer for health services under the government guaranteed beneficial package. Ensure that health purchasers' contracts with providers set stable payments so providers can plan their services and input requirements. This might incentivize purchasers to negotiate credible contracts and payment rates to create effective gains. Purchasers should be avoiding open-ended contracts and commitments in provider payment arrangements.

- Increase the number of qualitied healthcare providers with negotiated prices for less specialized services paid by OOP health spending to stimulate competition among health service providers from both public and private sectors to ensure financial viability quality and efficiency. The following measures could create enabling competition: reduction of barriers to entry and exit to the health market, reduction of barriers to patients switching among providers, accelerate accreditation and licensing procedures, support purchaser-provider split function, reform reimbursement and provider payment mechanisms to incentivize providers to enter the health market, provide publicly available information about costs and quality of healthcare.
- After identification of low coverage of priority health interventions and poor areas, prioritize and strengthen the demand side of healthcare interventions through the cash transfer programs to ensure the access of the worse off to priority health services.
- Modify rigid, input-based line item budgets and inefficient fee for service reimbursement. The small user fee charges in public health facilities that are directed to MoF increase administrative efforts and costs and doesn't incentivize utilization and quality of health care in public health services. The user fees should be managed by health facilities and if properly used it will serve to its primary objective to enhance quality of health services and rationalize use of medicines and health services.
- Establish a system to track procurements across the country in a transparent way and build capacity to ensure facility-based fiscal autonomy with oversight on vendors and assistance with tenders.
- User fees are not intended to be implemented in primary healthcare. If they are considered, they could be considered for secondary and tertiary care with supplemental policies to subsidize the poor.
- Policies need to address informal payments reduction mechanisms in the implementation of policies and standard operational procedures.

Health Packages' Benefits and Entitlements

The Basic package of health services (BPHS) and the Essential package of hospital services (EPHS) are the vital means by which the government ensures health services delivery to the entire population, and as such they are the backbone of the country's health system. In this context, monitoring and evaluation of efficiency and effectiveness of implementation of these packages is a core function of MoPH. The MoPH is currently working on an investment plan which relies on domestic resources gathered through taxation, alongside the support provided by the donors. However, due to slow progress in the implementation of health financing reforms, it is not clear how the implementation of an investment plan can be accelerated without strong willingness and political commitment of GIRoA to move these reforms forward. The BPHS health facilities provide free of charge services to the population that access health facilities. The MoPH has implemented conditional cash programmes as demand driven interventions to support the women who deliver at the health facilities, increase coverage and speed up progress towards achieving the goals of UHC as reflected in the SDGs. There is a strong need for government intervention to control market reaction relying on NGOs competition for the price which might irrationally drive down the cost and hence contribute to compromised quality of health service delivery and lower financial protection of citizens of Afghanistan. In order to prevent this market failure, the MoPH should be able to estimate the cost of delivering BPHS/ EPHS service and be able to identify irrationally low bids to exclude them from getting the contracts. In addition, monitoring of healthcare quality needs to be ensured on a regular basis. The new IPEHS benefit package has been designed to replace BPHS and EPHS and address population needs and improve overall effectiveness of healthcare. Several costing studies have been conducted to support the decision-making process. Due to the expanded IPEHS scope of work and quality of healthcare, additional financial resources need to be mobilized for successful implementation, otherwise there is a risk that implementation of IPEHS might face serious

challenges. In circumstances in which we project a reduction of international health funding in the near future it is clear that this funding needs to come from domestic public sources.

Recommended policy options:

- HEFD should lead the study to identify, elaborate, and address reasons of high OOP health spending. This analysis can be used for designing of beneficiary packages.
- For the sustainability and effectiveness of the health services and optimum design of the benefit package an understanding of the drivers of OOP is required, with regard to the urban and rural areas. It should be understood which interventions are people paying for, especially when designing the benefit package.
- Update current IPEHS costing analysis and set up a system to regularly monitor and evaluate health expenditure growth due to implementation of IPEHS.
- Due to a new scope of IPEHS, strengthen planning and piloting stage of implementation of IPEHS. The implementation of IPEHS should be carefully planned to address potential challenges that a new IPEHS model can bring during the implementation phase such as: readiness of health facilities to implement a new health interventions defined in IPEHS (e.g. NCD health interventions, etc.), quality of healthcare of new interventions, increased costs of new healthcare services and availability of skilled, motivated and sufficiently numbered human resources for health to implement IPEHS healthcare interventions.
- Start gradual implementation of IPEHS to address current population health needs together with a resource mobilization strategy to cover increased IPEHS costs.
- Identify and mitigate reasons for lateness of the disbursement of funds and medicines in public hospitals and NGOs that affects provision and utilization and quality of health service and increases the financial burden on the citizens of Afghanistan.
- Support the MOPH to strengthen EMIS to monitor tracking of health financing flows in real time. Collaborate with the various stakeholders to agree on the approach to the monitoring and evaluation of the IPEHS. Consider implementation of blockchain information technology placing the patient at the center of the health care and increasing the interoperability of health data.

Conclusions

GIRoA has been facing new and ongoing challenges that put a strain on existing resources and health systems, leading to the need for prioritization and implementation of health financing reforms and more dynamic approaches to sustainability. Though OOP health payments are still a major source of financing in Afghanistan, coupled with projected reduction of international aid, stronger efforts need to be made to increase domestic government spending on health and government subsidies to finance health services for poor and vulnerable populations through public prepaid health financing mechanisms. Good governance in Afghanistan would require better institutional arrangements, clarity in roles and functions of agencies, and use of legislative, regulatory, and financial levers to ensure an accountable health financing system that is able to monitor progress and respond to feedback. The public sector is highly centralized while the private sector has only been poorly regulated and rarely present where needed. In order to strengthen primary health care, GIRoA need to engage private providers and develop ways in which private providers and public hospitals can better support public policy objectives. Low government prioritization of health and domestic public health spending, absence of prepayment mechanisms, inefficiencies in purchasing and provider payments and often stock outs are some of the key barriers that prevent GIRoA to reduce high OOP spending and improve health care for all citizens of Afghanistan.

Moving toward UHC can be realized through contributions from tax-based funding or government subsidies, particularly when trying to cover the poor, vulnerable populations and large informal sector in Afghanistan. Though Afghanistan is gradually moving toward more prepaid financing mechanisms and reduced OOP health payments, greater efforts need to be

made to achieve accessible and affordable quality health services. Obviously, there is increasing need for technical and financial support from international organizations and donors to strengthen the governance of health financing systems in Afghanistan.

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