Moving towards universal social health protection

Lao People's Democratic Republic (PDR)

International Labour Office

In just a decade, Lao PDR has made impressive progress towards universal health coverage (UHC). From 10.8 per cent in 2008, effective social health protection coverage increased to 94 per cent of the population in 2018. However, out-of-pocket (OOP) payments remain high and effective access to quality health services remains a challenge for a significant share of the population.

In a context of high health protection scheme fragmentation at the end of the 2000s, the policy process has focused on how to improve efficiency and offer greater financial protection to the Lao population. The adoption of decree 470/PM in 2012 and its subsequent implementation by the National Health Insurance Bureau (NHIB) under the Ministry of Health (MOH), have been at the cornerstone of health financing reforms in Lao PDR. The NHIB is currently the main purchaser of health services for the Lao population. Health schemes covering people in formal employment are still managed by the National Social Security Fund (NSSF), the Ministry of Defence (military personnel) and the Ministry of Public Security (police personnel) but are being transferred to the management of the NHIB.

Universal Health Coverage, as laid out in Sustainable Development Goal target 3.8, is a central objective of social protection systems, and a cornerstone to the realisation of the human rights to health and social security. The Recommendation on Social Protection Floors, 2012 (No. 202) embodies this objective as it stipulates establishing basic social security guarantees to ensure access to essential healthc are alongside income security throughout the life cycle.

This brief presents a successful experience of a country in extending social health protection.

Main lessons learned

- Voluntary, contributory insurance schemes are not an efficient and sustainable option for covering workers in the informal economy in low and middle-income countries, especially in settings where people's understanding of insurance is low and poverty widespread. The financial sustainability of such schemes is also threatened by adverse selection.
- Quick and successful implementation of a new scheme is possible when the government's political commitment translates into increased and adequate budgetary allocations to social health protection, and when special efforts are dedicated to building management capacities at both national and decentralized levels.
- Any government committed to UHC should ensure sufficient funding is allocated to subsidize the enrolment of workers in the informal economy and poor and vulnerable households in social health protection.
- Social health protection schemes contribute to increasing the demand for health care services. Hence, parallel efforts need to be dedicated to strengthening the supply of health care services, particularly at the primary level, in order to ensure availability of quality health services.

Social Protection Floors in Action: 100 success stories to achieve Universal Social Protection and SDG 1.3

1. Process

Lao PDR committed to achieve universal health coverage by 2025 in its 8th Health Sector Development Plan (Ministry of Health 2016). Over the past ten years, the Government of Lao PDR has been very active in reforming and adjusting health financing policies to progress towards universal health coverage – gradually building the social health protection system over different phases, as described below.

The State Authority for Social Security (SASS, in 1995) and the Social Security Organisation (SSO, in 2001) schemes were established to cover public and private employees and their dependants respectively, under the management of the National Social Security Fund under the Ministry of Labour and Social Welfare (MOLSW).

Police and Military personnel are covered separately by the Ministry of Public Security and the Ministry of Defence respectively.

From the early 2000s, other programmes have been set up, targeting workers in informal employment and the self-employed through the voluntary and contributory Community-Based Health Insurance (CBHI, since 2002) and the Poor and Vulnerable through the fully subsidized Health Equity Fund (HEF, since 2004). Results were mixed, with limited coverage due to low enrolment rates under the voluntary CBHI and targeting inaccuracies with HEF. As a consequence, only 10.8 per cent of the population was covered by a social health protection scheme in 2008 (Ministry of Health 2017b).

The Free Maternal, Neonatal and Child Health (FMNCH) services policy implemented in 2010 was successful in improving health service utilisation, however, informal direct payments remained significant at facility level, which limited financial protection for the intended beneficiaries who still underwent high levels of out-of-pocket expenses.

Indeed, despite all these efforts, OOP expenditure still amounted to 42.3 per cent of total health expenditure in 2014-15.

In 2012, the Decree 470/PM provided the legal basis for the creation of a National Health Insurance (NHI) Fund, aimed at gathering all MOH and MOLSW schemes under one umbrella managed by the NHI Management Committee (MC) and its Secretariat the NHI Bureau. Established as a department of the Ministry of Health, the NHIB is in charge of carrying out all health insurance functions for the coverage of the entire population.

As a first step, the implementation of the NHI scheme started in 2016 with the merger of the schemes under the MOH only (CBHI, HEF and FMNCH). The scheme was rapidly rolled out to all provinces in Lao PDR in 2016-2017. As of July 2018, only Vientiane Capital is not included under the NHI scheme and provides protection to the workers in informal employment through CBHI.

Along with the merger of MOH social health insurance schemes, Lao PDR made a major policy shift in 2016 with the adoption of a tax-based financing model, complemented by direct co-payments. Under this model, contributions are no longer collected from workers in informal employment and are replaced by public subsidies transferred to the NHI Fund on behalf of workers in informal employment and the poor and vulnerable.

Through these public subsidies, the government managed to scale up the new scheme nationally in a very rapid manner, expanding coverage almost to the whole population. In 2017, the NHI strategy adopted

as a target a minimum of 80 per cent of the population covered by a social health protection scheme by 2020 (Ministry of Health 2017a). This financing strategy shift allowed Lao PDR to achieve this target in 2018, two years ahead of the objective set in the strategy.

The second step of the merger – which consists in merging the NSSF, Police and Military schemes with the NHI Scheme – started with a pilot in the provinces of Vientiane and Sekong in October 2018. The nation-wide roll-out is currently on-going and expected to be achieved by the end of 2019.

2. Legacy

Inspired by the neighbouring Thai Universal Coverage Scheme (UCS) model, the NHI scheme was successful in overcoming challenges associated with enrolling and collecting contributions from workers in informal employment by offering systematic enrolment at the facility level. Upon presentation of the family book and a low co-payment (US$0.60 for the lower level of the health facility), any previously uninsured Lao citizen can now access public health facilities in Lao PDR (with the exception of Vientiane Capital).

During the last decade, different views have been expressed on the desired status of the Ministry of Health and its mandate to cover the entire population – in both formal and informal employment – as well as its capacity to successfully implement health insurance functions. Indeed, in terms of capacity, the NSSF historically was better rooted at national, provincial and district levels, had a broader expertise in contracting with health care providers and in the overall management of health financing functions (revenue collection, pooling, purchasing) guaranteeing the separation of purchasing and providing functions. Nevertheless, MOH benefited from the experience in extending coverage to workers in informal employment and poor and vulnerable populations of former CBHI and HEF management teams. Following the adoption of Decree 470, NHIB human resources were significantly scaled up to handle the expanded mandate of the Bureau. In addition, and although NHIB enjoys only limited autonomy from the MOH, it can rely on a separate account from the MOH, which gives some degree of flexibility and facilitates the process for the disbursement of funds to all levels.

3. Results

Funding and financial protection

The health sector still suffers from chronic underfunding despite the government's commitment to increase its allocation to health. In 2011, the National Assembly set the goal of an allocation of 9 per cent of general government expenditures to the health sector by 2020. This allocation did increase from 4.7 per cent in 2010-2011 to 7.2 per cent in 2017 (including external funding). However, it remains behind national commitments and lower than the ASEAN average (8.2 per cent in 2016 excluding external funding). According to the National Health Accounts 2017 (Ministry of Health 2017a), in order to reach the target of 9 per cent of government general expenditures in 2020, the share allocated to health by the Government of Lao PDR needs to increase annually by around 4 per cent. This low level of public funding is correlated with high out-of-pocket spending (42.9 per cent in 2017 according to the last National

Health Accounts) (Ministry of Health 2018). In addition, Lao PDR is still highly dependent on external funding for health (19.7 per cent in 2017).

The funding gap is particularly detrimental to guaranteeing health care services that are available and of acceptable quality. It may also not allow to finance the demand for services in the long term (e.g. in the form of subsidies of health insurance contributions for workers in informal employment and the poor and vulnerable segments of the population). At the end of 2018, the NHI scheme's operations have already been suffering from insufficient and delayed allocations from the Ministry of Finance.

Population coverage

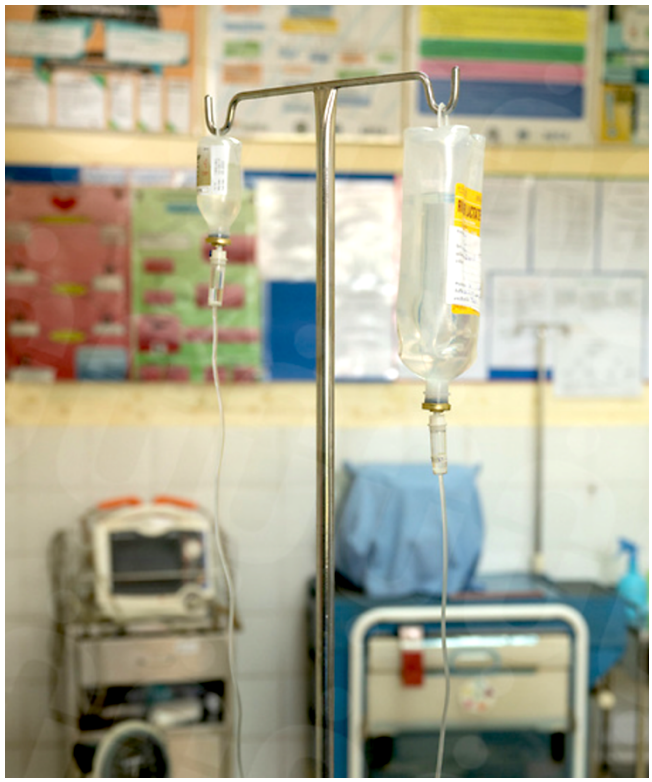
The launch of the public subsidies through the NHI scheme enabled a rapid and significant increase in social health protection coverage in Lao PDR. This amounted to 94.3 per cent of the population in 2017. In total, NHI covered 74 per cent of the population (Ministry of Health 2017b), while SASS and SSO covered 6 per cent and 3 per cent respectively in 2017.

Benefit package

The NHI benefit package is rather generous, covering most health services in the public sector and at each level of care, with few exclusions – the latter corresponding to services such as private rooms or drugs not belonging to the list of essential medicines. It does not duplicate benefits already covered by other programmes such as employment injuries and traffic accidents, malaria, tuberculosis, HIV/AIDS.

Supply-side readiness

Important challenges remain in terms of effective access to health services. According to the MOH Services Availability and Readiness Assessment (SARA) conducted in 2014, 59 per cent of facilities had the required tracer items and amenities to provide basic health services to the population. This indicator conceals geographical variations as well as variations across services. A survey carried out by the World Bank highlighted low service readiness for basic obstetric care (World Bank Group 2016). For instance, less than 25 per cent of the facilities surveyed had lifesaving maternal health drugs and supplies available.



Utilisation of services

Between 2011-12 and 2017, skilled birth attendance progressed significantly, from 41.5 per cent to 64.4 per cent (Ministry of Health and Lao Statistics Bureau 2012; Lao Statistics Bureau 2018). Similarly, while 43.8 per cent of women aged 15-49 years did not receive antenatal care in 2011-12, this percentage decreased to only 17.9 per cent in 2017. This translated into impressive improvements in outcomes, such as maternal mortality ratio, which plunged from 250 deaths per 100,000 live births in 2012, to an estimated 197 deaths per 100,000 live births in 2015 (WHO 2015). Under-five mortality, also decreased from 79 to 46 per 1,000 live births between 2011-12 and 2017. Yet, utilisation of services in Lao PDR remains relatively low, with 53.9 per cent and 5.6 per cent for NHI insured for out-patient care and in-patient care

respectively, and persisting inequalities in both health utilisation and health outcomes – across socioeconomic quintiles, ethnic groups and geographical locations.

4. Way forward

The Government of Lao PDR has recently made progress with the implementation of the long-planned transfer of the SASS, SSO and Police schemes to the NHI scheme, under the leadership of the NHIB, for a full integration of schemes. The fully merged scheme is currently operational in a pilot mode in two provinces – Sekong and Vientiane Provinces – with the aim to achieve a nationwide rollout by the end of 2019.

It is expected that the merger of the fragmented schemes under the NHI, established as a single purchasing agency, will trigger administrative efficiency, as well as reassert the role of the NHIB as the single purchaser of health services in Lao PDR. In this context, there are still some debates over the status of the NHIB and the necessity to separate it from the MOH, in order to achieve full autonomy and implement a purchaser-provider split. In this context, the next steps will also include moving towards strengthened strategic purchasing, with the review of health care provider payment mechanisms and the introduction of incentives for greater quality in health care provision. Together with the benefit package, payment mechanisms will also help to move away from the current imbalance towards hospital based-care and reinforce primary health care.

The implementation of the NHI scheme reform nationwide will also have important financial implications for health facilities, which used to rely primarily on Revolving Drug Funds, representing an important source of cash flow. These revenues have significantly decreased with the scale up of the NHI scheme (which covers drugs). Health facility revenues will now strongly depend on the NHI channel, hence the requirement for timely and adequate financial allocations to NHIB and health facilities.

The other major objective of the merger is to increase risk pooling, with a more inclusive and bigger pool based on solidarity in financing, in order to ensure that the risk related to financing health interventions is borne by all the members of the pool and not by sub-groups/sub-pools. In the short term though, in the absence of data allowing to measure the extent and direction of cross-subsidies, the option of temporarily maintaining two separate pools (one for "NSSF members" and one for the rest of the population) under the single agency is being considered.

Ensuring solidarity in financing and equity in accessing benefits should be the core principles underlying the design of social health protection schemes. It is also of crucial importance to design a system that guarantees benefit entitlements and more specifically effective financial protection, with very limited direct payment in a way to avoid hardship and prejudice to effective treatment. Last but not the least, in the efforts to harmonize the main features of the scheme, attention should be paid to ensure that the design of the social security system provides incentives for workers in formal employment to join the system. Hence, in line with the ILO bi-dimensional approach, higher levels of protection should be progressively achieved through comprehensive social security systems.

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