THE ARTICLE: "DIAGONAL FINANCING"

INVESTING IN HEALTH: THE "DIAGONAL FINANCING APPROACH"

Between the "vertical financing" and "horizontal financing" of health services in developing countries, there exists a third way, labelled "diagonal financing".

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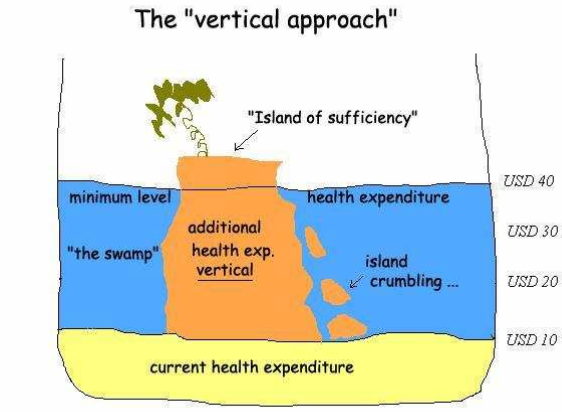
This diagonal approach seems to be an essential concept for the positive evolution of the global structure of health assistance, as explained in Gorik Ooms et al. : *The 'diagonal' approach to Global Fund financing: a cure for the broader malaise of health systems?",* March 2008.

What is the diagonal approach?

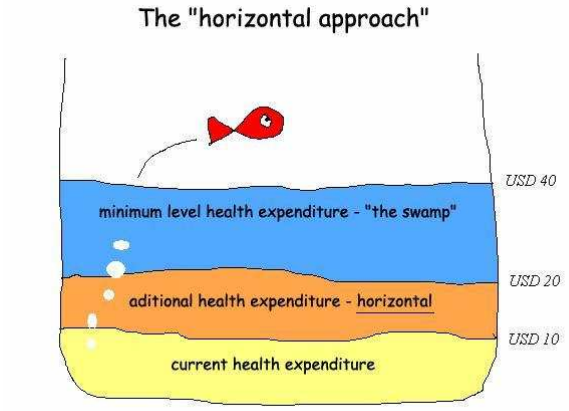
The pictures below, conceived by Gorik Ooms and Marc Bestgen, help to illustrate their vision of each financing mechanism.

The pictures are based on the estimate of the Commission on Macroeconomics and Health that an adequate package of healthcare interventions, including AIDS treatment, would cost US$ 40 per person per year. In 37 of the world's 54 low-income countries, as defined by the World Bank, public health expenditure was less than US$ 10 per person per year in 2004.

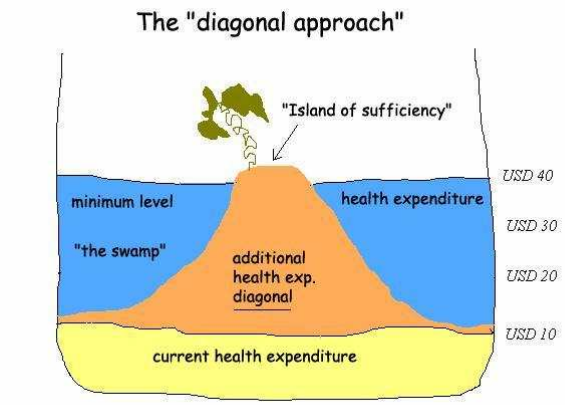


The "vertical approach": extra resources are channelled into disease-specific programmes, meaning that the treatment of certain diseases is adequately provided for (the 'island of sufficiency'). However, in general health systems remain vastly inadequate and understaffed (the swamp), and in the long run these fragile 'islands of sufficiency' come up against major difficulties because of dysfunctional health systems and the problem of staff shortages.

The "horizontal approach": an additional layer is supplied to the vastly insufficient current health expenditure targeting the improvement of health systems in general. Yet total health expenditure



remains well below the minimum of US$ 40 and across the board health systems remain largely inadequate.



The "diagonal approach" is based on the idea that programmes targeting specific diseases (e.g. AIDS) must be accompanied by a broader range of activities for the reinforcement of shared health systems (e.g. training and expansion of the health workforce, integration and coordination with other disease programmes, strengthening laboratories, health management, health insurance schemes) if they are to be successful in the long term. Thus the diagonal approach would allow the building of 'islands' with a broad and solid base, which could gradually be connected, thus helping to fill in the swamp.

The diagonal approach and the development of national health insurance schemes

A first example concerns Rwanda.

It was in this vein that the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria began a five year project to strengthen health systems in Rwanda in January 2006. Faced with the knowledge that the three diseases were collectively contributing to the highest disease burden in the country, and in view of the very low utilisation rates of healthcare services in Rwanda,

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the Global Fund set out to improve access to quality care.

Since evidence indicated that those people within the low-income population who were members of mutual health organisations had a higher level of contact with health services than those who were not members, the Global Fund centred its project on strengthening the development of mutual health organisations in line with the Government policy.

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The objective of improving access was facilitated by the decision of the Rwandan government to introduce obligatory family health insurance in 2006. The national obligatory health insurance contribution rate for a basic universal healthcare package was set at FRW 1000 per person per year as from January 2007, with a 10% co-payment due upon treatment at a health centre or hospital. As this seemingly minimal contribution was still out of reach for the poorest Rwandans, the Global Fund set the objective of financing health insurance premiums for the poor, orphans and people living with HIV/AIDS. In 2007 the Global Fund paid premiums for around 800,000 of the poorest Rwandans.

The report, "Mid-term evaluation of the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (GFATM) 5th Round Project on Health Systems Strengthening" (2007) describes the progress made and identifies future challenges relating to the implementation of this project in Rwanda.

A second example concerns Burkina Faso.

In Burkina Faso, the utilisation rate of health services is very low, reflecting poor access to healthcare (geographic, financial barriers) and poor quality of service provision. The existing social health protection schemes notably cover civil servants and workers of the formal private sector, leaving the major part of the population (informal economy workers) with almost no protection.

Burkina Faso has embarked on the process of designing a national social health insurance scheme which will grant universal access to a basic package of social health protection. The benefit package will be distributed through existing statutory social security schemes, mutual health organizations and other community based organizations; the scheme includes however a centralized risk pooling mechanism and a strong redistribution component (subsidies of the premiums of the poorest).

In a recent study, "HIV Financing and Social Health Protection Mechanisms in Burkina Faso", UNAIDS indicates that 92% of financing to cover requirements relative to the HIV/AIDS epidemic in Burkina Faso is made through the intermediation of international funds; whether bilateral partners, multilateral partners or international NGOs. The report explains that the funds allocated to the fight against AIDS could have a significant impact in terms of driving and structuring developments in the domain of social protection for both workers of the formal economy and those of the informal economy, by catalysing the emergence of new social protection modes (mutual health organisations, micro insurance, social security, health insurance).

The report proposes the introduction of a Third Party Administrator (TPA) that would favour the integration of vertical financing (i.e. AIDS funds) with horizontal systems providing broader healthcare coverage. The TPA would fulfil the role of mediator between financers, healthcare providers and patients by promoting

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contractual arrangements (negotiation of prices, agreements on quality of care, right of the patient to confidentiality etc.) and by taking on the role of recording and reporting needs in terms of AIDS treatment. In this way the TPA could pave the way for greater access to healthcare; increasing financial access for disadvantaged groups and extending geographical access over the whole territory.

What we can learn from these two examples?

Mutual health organizations, community based schemes, social health insurance systems, linked schemes, etc. can play an active part in reinforcing health systems since they create a solvent demand for health care services and contribute positively to increasing the quality and availability of health care. Strategies targeted at reinforcing health systems (in the vein of the diagonal approach) could channel the resources of various global vertical funds (Global Fund, GAVI, UNITAID, etc.) into support for the development of health insurance mechanisms:

- By funding the preliminary studies necessary for the design and setting up of these schemes; as well as the funding of their implementation.
- By financing at least part of the premiums of the poorest so that they can join the health insurance schemes in place or under construction. As in the case of Rwanda where the Global Fund project financed the premiums of the poor, orphans and people living with HIV / AIDS.
- Through concrete support to the development of a conducive environment for the development of such schemes, e.g. the development of transparent and efficient management information systems able to manage and monitor flows of information, relationships with health care providers and the allocation of external funds. While the proposed TPA in Burkina Faso could contribute to improving the medical follow up and treatment of people living with HIV / AIDS,

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it could at the same time be used to improve the management capacities of the health insurance schemes in the country. This is what is proposed in the recently produced UNAIDS case study report, “HIV Financing and Social Health Protection Mechanisms in Burkina Faso”.

Today there are very few attempts to channel global vertical funds into the development of health insurance schemes targeting informal economy workers and their families, poor and vulnerable populations, orphans, people suffering from chronic diseases. However a growing number of governments include this possibility in their national strategies to extend social health protection.

{Compilation prepared by Tess Abbott and Valérie Schmitt-Diabaté, ILO/STEP, Geneva, Switzerland}