

Financial protection

As reported in the previous section on private and external expenditure, high levels of out-of-pocket (OOP) spending in the region present a challenge not only for governments looking to improve access but also to individuals, household, and communities. High OOP means that the population is directly financing a substantial part of care when they need it, which in turn can push them into poverty or financial hardship. The global incidence of catastrophic spending at 10% or more of OOP relative to household income or consumption has been estimated at 9.7% in 2000, 11.4% in 2005, and 11.7% in 2010. This means that globally 808 million people in 2010 incurred catastrophic health spending (Flores et al., 2018^[1]).

Figure 6.11 shows the proportion of the population that is pushed into poverty because of OOP health spending. On average, 1.7% of the LAC population is poor because of OOP health spending. This number is under 2% of the population in 11 countries, and 0% in El Salvador and Mexico. On the other hand, Argentina (3%), Haiti (4%), and Nicaragua (5%) have the highest proportion of people going into poverty because of health spending.

As high OOP expenditure on health can take people into financial ruin, Figure 6.12 shows the proportion of households that have been pushed further below the poverty line. In 22 LAC countries, 12.7% of the population on average was pushed further below the poverty line by OOP healthcare expenditure. This proportion is highest in Nicaragua (21%), Brazil (20%), and Paraguay (18%), indicating low effectiveness in health financial protection policies. Trinidad and Tobago (2%) and El Salvador (3%), on the other hand, have the lowest proportion of the population going further into poverty because of OOP health spending.

To ensure adequate access and coverage for all groups, governments must implement efforts to protect households against excessive OOP expenditures that can drive people into poverty (WHO, 2018^[2]). Wasteful spending in LAC health systems is taking resources that could be spent on more and better healthcare. System fragmentation is not only a relevant source of waste but also creates barriers to expanding access and financial protection. Fragmentation of funding schemes limits the pooling of funds and, the existence of more effective insurance mechanisms and limits the health system's solidarity. Because poorer people have the largest potential for health gains (Moreno-Serra and Smith, 2012^[3]), low financial protection severely affects healthcare system performance.

Definition and comparability

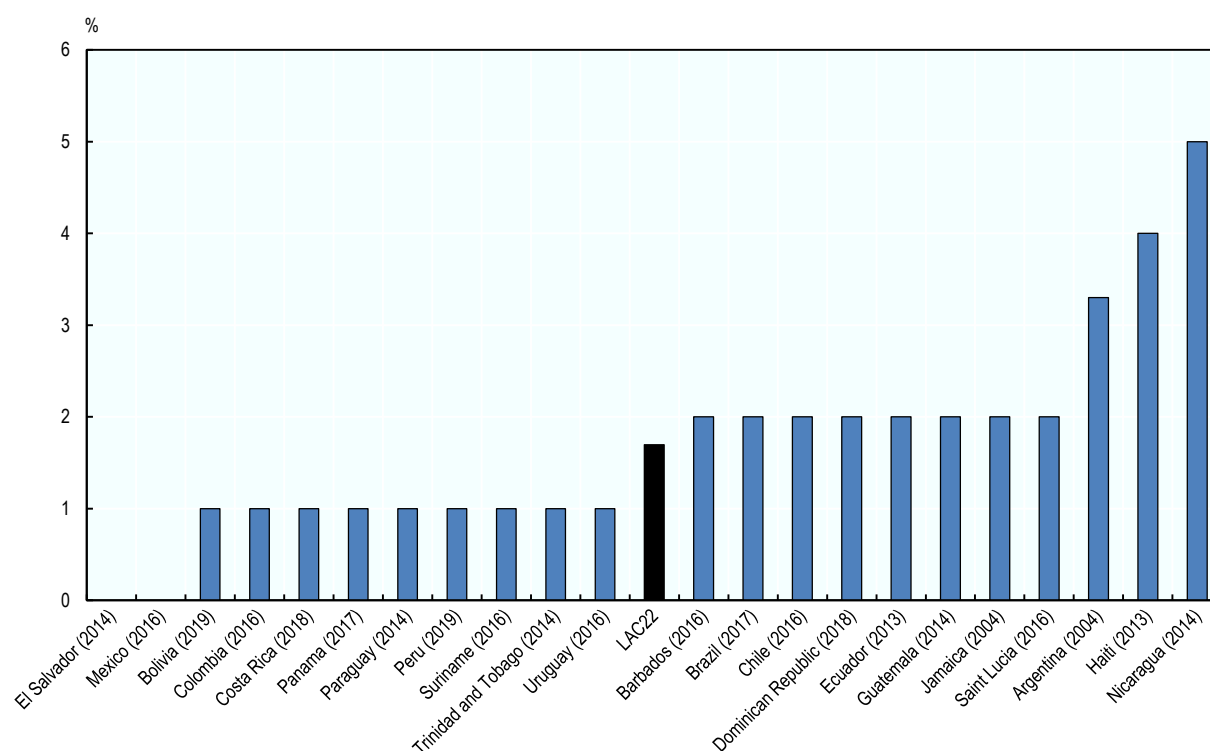
Data on financial protection indicators was taken from the Global database on financial protection assembled by WHO and the World Bank, updated in 2021. The dataset has grown over time from the first dataset published in 2000 which pulled data from 42 surveys and one type of survey, covered just 42 countries, and included just 34 indicators, which all concerned maternal and child health. In 2013, for the first time, the database included household out-of-pocket health expenditures, noncommunicable disease indicators (NCD), and data from high-income countries. The 2018 database follows this trend by employing over 1 600 surveys, covering 183 countries, and encompassing multiple years of data, richer NCD data, and more extensive data on household out-of-pocket expenditures.

The poverty line is defined here as the higher of the USD 1.90 (USD 2011 PPP) poverty line and a 60% of median consumption poverty line (%). The latter definition for poverty accounts for the high heterogeneity in LAC countries income and prices.

References

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- Moreno-Serra, R. and P. Smith (2012), *Does progress towards universal health coverage improve population health?*, Lancet Publishing Group, [https://doi.org/10.1016/S0140-6736\(12\)61039-3](https://doi.org/10.1016/S0140-6736(12)61039-3). [3]
- WHO (2018), *Health financing*, World Health Organization, <https://www.who.int/health-topics/health-financing>. [2]

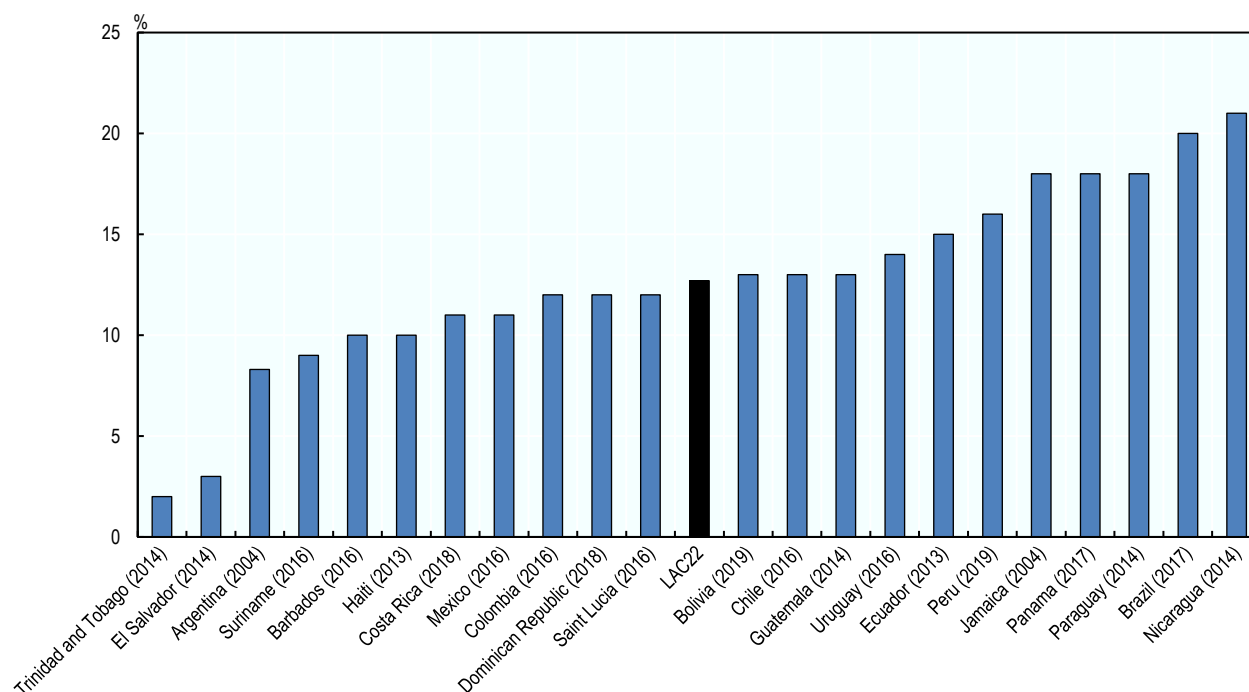
Figure 6.11. Proportion of population pushed into poverty by out-of-pocket spending in healthcare




Source: World Bank Global monitoring report on financial protection in health 2021.

StatLink  <https://stat.link/mdup6c>

Figure 6.12. Proportion of population pushed further into poverty by out-of-pocket spending in healthcare



Source: World Bank Global monitoring report on financial protection in health 2021.

StatLink  <https://stat.link/wc9ysz>



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