6. FINANCING OF HEALTH CARE FROM HOUSEHOLDS' OUT-OF-POCKET PAYMENTS, VOLUNTARY PAYMENT SCHEMES AND EXTERNAL RESOURCES

Private health expenditure refers to the health spending from non-public agents, and it is often divided between out-of-pocket expenditure (OOP), voluntary payment schemes and external sources. OOP expenditure refers to payments made to pay directly for health care, while voluntary payment schemes refers to payment of private insurance premiums, which grant coverage for services from private providers. External resources covers the funds for health received from different donors or similar sources.

On average, the share of health spending paid out of-pocket is 34% in the LAC region, well above the OECD average of almost 21% (Figure 6.8). The highest presence of OOP is observed in Venezuela (63%) followed by Guatemala (54%) and Grenada (52%), the three countries above 50% in the region. At the other end, only five countries stand below 20%: Cuba (10%), Argentina (15%), Colombia (16%), Jamaica (17%) and Uruguay (17%).

The OOP as a share of health expenditure has fallen by 1.5 percentage points from 2010 to 2017 in LAC (Figure 6.8). The decrease was greatest in Nicaragua (-11.8) and St Lucia (-12.1). However, 11 countries experienced increases in OOP, being led by Venezuela (+20.07) and Antigua and Barbuda (+10.71). OOP expenditure above 20% of current health expenditure is considered problematic as it indicates high vulnerability to catastrophic health expenditure in the event of a health emergency. The section about "Financial Protection" in the present chapter examines the extent to which people in LAC is at risk of falling into poverty due to catastrophic health expenditures.

Figure 6.9 shows that health expenditure by voluntary payment schemes represented – on average – 8% of current expenditure on health in LAC, above the OECD average of 5.5%. This share increased in most countries from 2010-17, particularly in Antigua and Barbuda where it increased by 12.5 percentage points. On the other hand, in Uruguay and Jamaica it decreased by more than 7 percentage points. Less than 1% of current health expenditure was from voluntary payment schemes in Dominica, while it was the highest in Brazil (30%), Bahamas (25%) and Venezuela (21%), the only three countries above 20%. Private health insurance is an important source of secondary coverage in most countries, either supplementing coverage of goods and services not included in the basic benefit package, complementing coverage by covering costs or duplicating coverage for those patients looking for private care.

The share of health expenditure coming from external sources is low across the region (under 1% in 19 out of 30 countries with data). However, it is a very significant source of financing in Haiti (over 43%), illustrating the reliance on external resources from a variety of donors in this country (Figure 6.10).

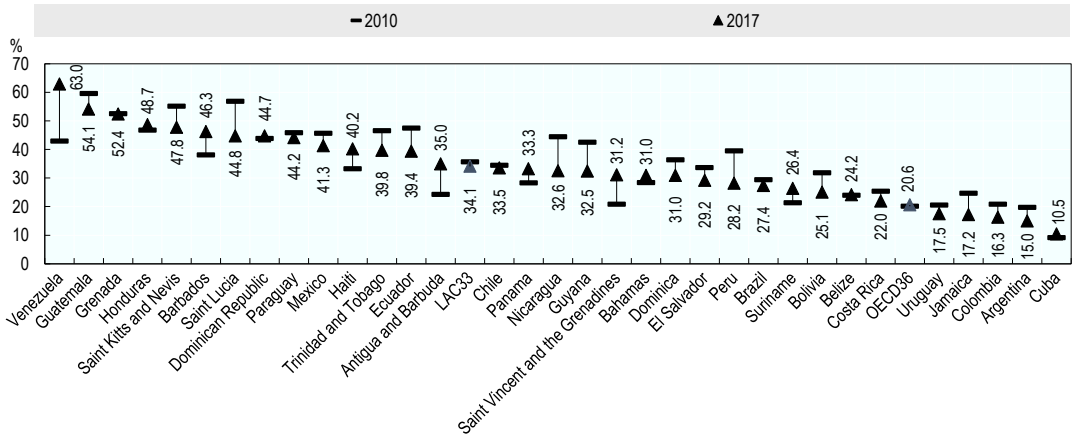
Definition and comparability

The financing classification used in the System of Health Accounts provides a complete breakdown of health expenditure into public and private units incurring expenditure on health. Private sector comprises pre-paid and risk pooling plans, household out-of-pocket expenditure and non-profit institutions serving households and corporations. Out-of-pocket payments are expenditures borne directly by the patient. They include cost-sharing and, in certain countries, estimations of informal payments to health care providers.

Voluntary health care payments schemes include voluntary health insurance, Non-profit institutions serving households (NPISH) and enterprises financing schemes. Data on voluntary insurance coverage was taken from the responses provided by countries to the 2018 Health System Characteristics Survey in Latin America and the Caribbean.

External funding for health is measured as Official Development Assistance disbursements for health from all donors. Disbursements represent the actual international transfer of financial resources. Disbursements for health are identified by using the classification of sector of destination codes 121 (health, general except 12181, medical education/ training and 12182, medical research), 122 (basic health) and 130 (population policies/programmes and reproductive health except 13010 Population policy and administrative management), and 510 (general budget support) (www.oecd.org/dac/stats/ aidtohealth.htm). General budget support to health is estimated by applying the share of government expenditure on health over total general government expenditures to the value reported in ODA. Given that disbursement money is spent over several years by countries, funds disbursed at year t are compared to total health expenditure in year t+1.

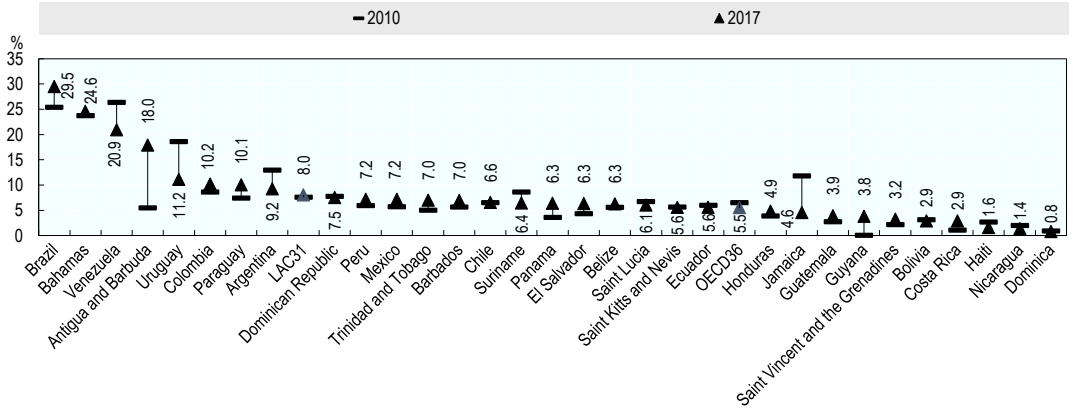
Figure 6.8. **Change in out-of-pocket spending as a share of current expenditure on health, 2010-17**



Source: WHO Global Health Expenditure Database (2020); OECD Health Statistics (2019).

StatLink https://stat.link/3s8p12

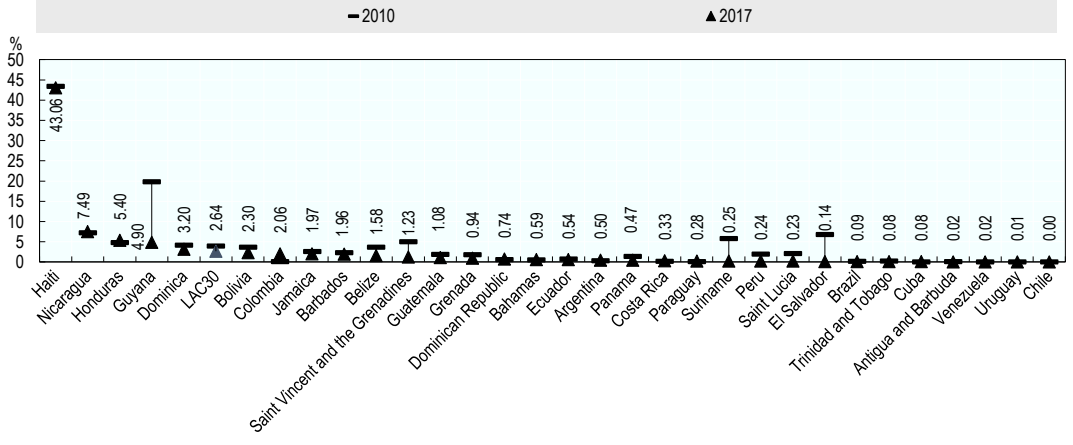
Figure 6.9. **Change in health expenditure by voluntary health care payment schemes as a share of health expenditure, 2010 to 2017**



Source: WHO Global Health Expenditure Database (2020); OECD Health Statistics (2019).

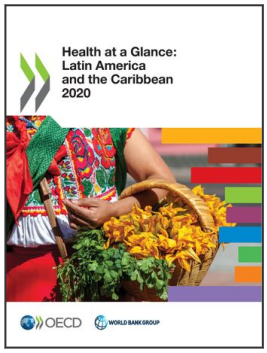
StatLink https://stat.link/6y81f3

Figure 6.10. **Change in external resources as a share of current health expenditure, 2010-17**



Source: WHO Global Health Expenditure Database (2020).

StatLink https://stat.link/mes6pz



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