



Health Financing and Health Care Inequality

Evidence from Eastern Europe
and Central Asia

Maureen Lewis and Edmundo Murrugarra
The World Bank
ECSHD



Overview

1. Background and Context
2. Why Informal Payments?
3. Effects of Informal Payments on utilization and expenditures
4. Agenda on Informal Payments



1. Background and context

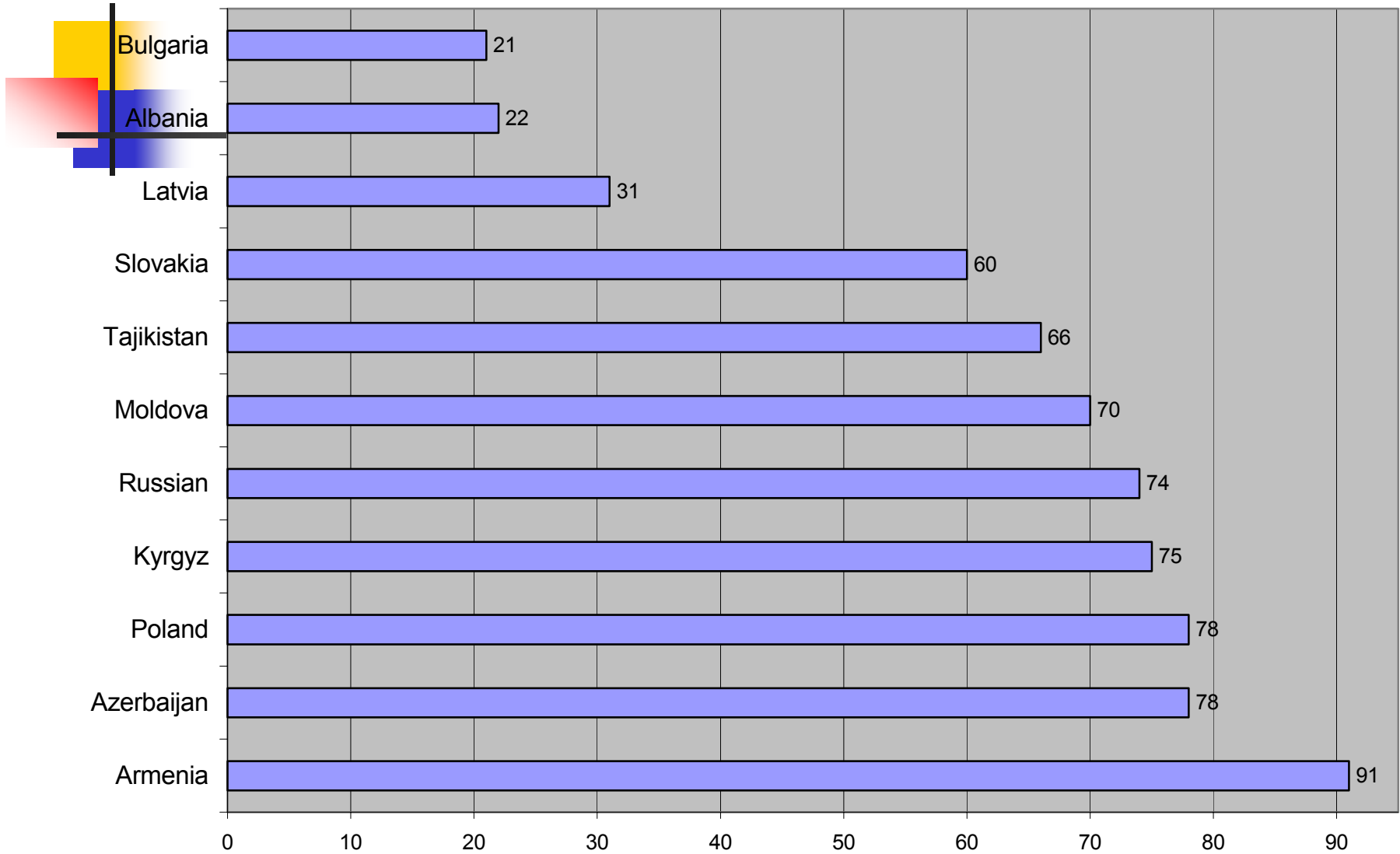
- Eastern Europe and Former Soviet Union
- Independence and transition: expectations
- Previously: universal coverage
- Oversupply of personnel (doctors)
- Overcapacity: hospitals and health centers
- Fiscal constraints and reduction in public expenditures (health).



1. Background (cont.)

- Unpaid doctors and other personnel
- Inadequate medical equipment
- Out of stock: drugs, materials
- Increased importance of patients' contributions, initially on drugs
- Lack of development of private health care (insurance) markets: restricted

Frequency of Informal Payments





2. Why Informal Payments?

- Informal payments as a form of corruption
- Failure in health care “market”: asymmetric information could be exploited
- No competition: physicians may exercise local market power (through fees and waiting time) using public infrastructure
- Lack of accountability: financing, delivery
- Personal taxation: evasion



2. Why...?

- Corruption = Market power (inc. Directors)
+ Discretion
- Accountability/Transparency



3. Effects of informal payments

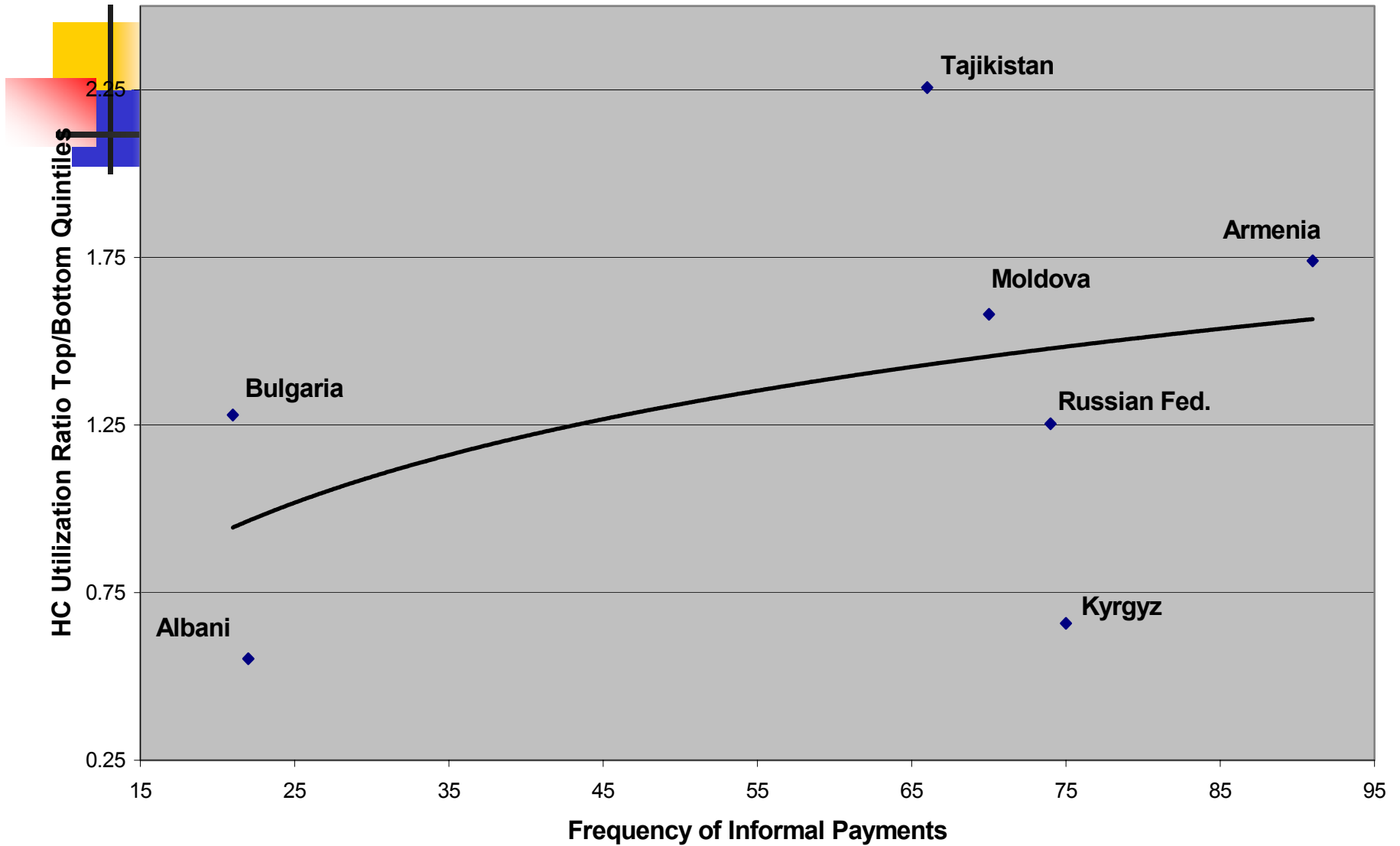
- Public sector : difficulties in rational budgetary process (allocative inefficiencies)
- Inability to set priorities
- Unaudited financing or provision: government lacks oversight instruments



3. Effects on utilization

- Household: overall increase in out-of-pocket expenditures (reduction in utilization)
- No risk pooling available across the healthy and the sick
- Fragmentation in expenditures: effects on quality, but certain interventions have indivisible expenditure items
- Actual and *expected* fees: delays in medical attention (effects on program incidence)

Informal Payments and Inequality in Utilization

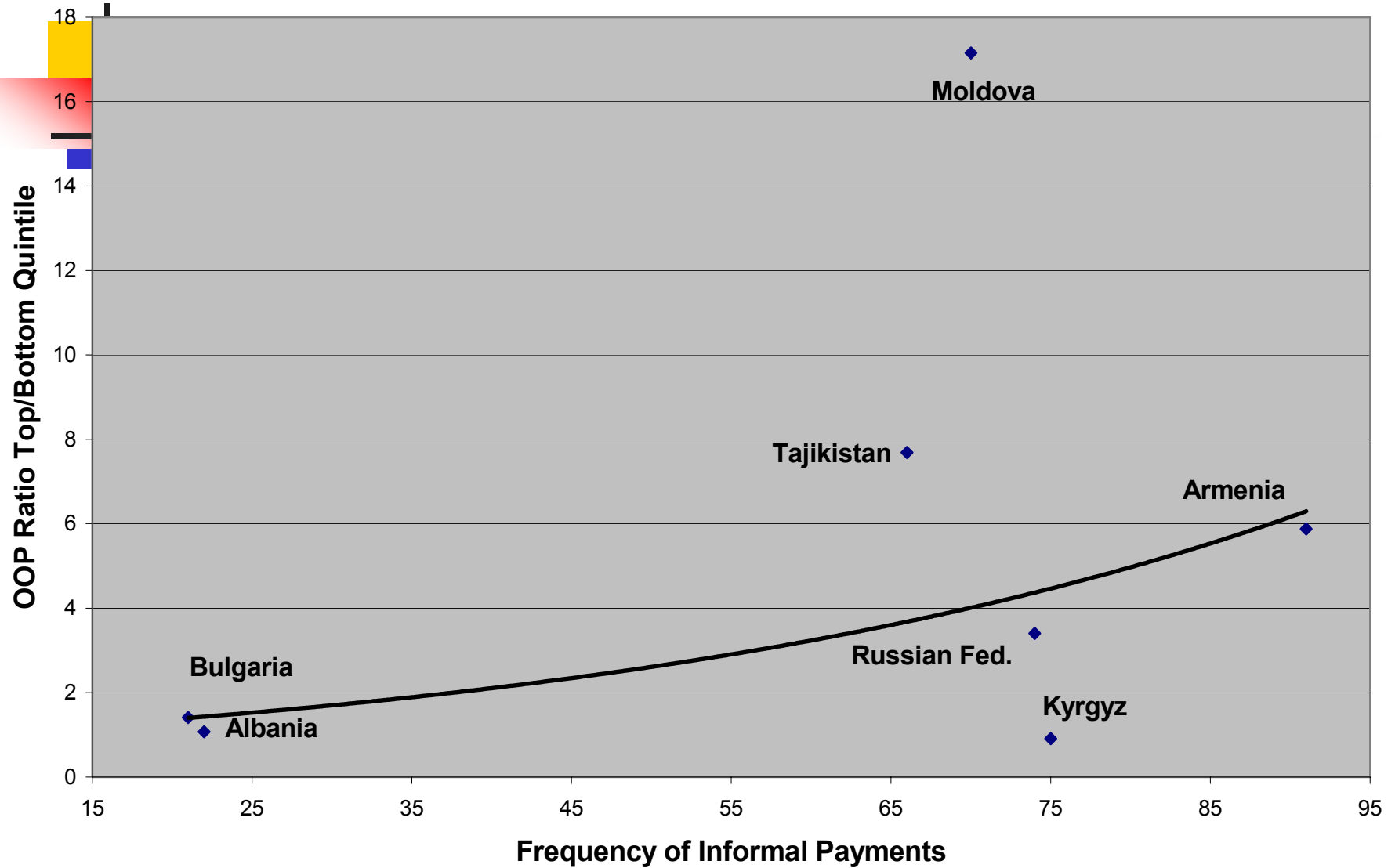




3....on out-of-pocket payments

- Discrimination among patients
- Ability to screen individuals and lack of competition
- Measurement problems: reporting issues

Informal Payments and OOP Inequality





4. Agenda, Policy Implications

- Role of publicly provided health services: current systems are oversized, inefficient, lacking priorities (salary policies)
- Comprehensive, free services are not financially sustainable
- Health systems require basic oversight and accountability (finance, provision)
- Role of private providers – together with oversight



4. Agenda, Policy Implications

- Improve measurements of informal payments (vs. out-of-pocket paymt.)
- Exploit microdata on the impact of informal payments on equity (utilization and price), but differentiated products
- Improve information for targeted programs to avoid effects of high *expected* fees.