



## **Summary of LSE workshop on 'Latin America healthcare system overview: A comparative analysis of fiscal space in healthcare'**

**Friday March 6, 2020**

1. The use of fiscal space creation is recognized as an option for creating sustainable and stable sources of healthcare financing. The target set out by PAHO (6% of GDP spending) may need to be adjusted on a country-by-country basis in light of current expenditure on healthcare and other contextual factors.
2. Creating fiscal space in health care can be achieved in a number of ways, for example, by prudent fiscal management, improving the efficiency of the resources deployed & reducing waste, improved macroeconomic performance in terms of economic growth, targeted revenue raising through taxation, which can be earmarked for the purposes of investment in health care, and prioritisation of health in total public spending.
3. The process of creating fiscal space will be complex for the Latin American region, as the region is characterized by factors which require particular reflection (such as large informal economies, concerns over some countries' overall macroeconomic performance and the associated indicators, or economic reliance on the production of certain health harming goods). As extensive variation exists within the region itself and, as a result, a country-by-country approach is recommended.
4. Taxation as a means of raising additional resources to invest in health can generate significant revenue, although one needs to address for a number of issues, among others, to ensure progressivity to the extent possible, safeguard ease of collection, reduce tax evasion and minimize loopholes, optimise the tax base, and select taxes to implement based on the efficiency of the taxes themselves.
5. The creation of fiscal space through indirect taxation – and specifically taxes on potentially harmful products (sin taxes) and VAT – is considered to have potential, though there is recognition that the methods and potential rate increases will vary across countries depending on their economic situation, current means of revenue generation, reliance on the production of certain goods, and existing taxation rates. The effects of earmarked resources will need to be understood in specific country contexts, and can benefit from the collection of further empirical evidence.
6. Countries can consider other taxes beyond sin taxes and VAT as potential sources of additional funding for healthcare, dependent on local contexts, or, even focus on specific sin taxes, e.g.

tobacco, as a symbolic set of measures to achieve both higher revenue – tobacco taxation is much lower in Latin America compared with EU countries, for example - and improvements in health outcomes in terms of smoking reduction.

7. The creation of additional funding sources has to be considered together with the overall (in-)efficiency of current expenditure in healthcare. Means to address inefficient resource allocation and wasteful spending must accompany any efforts at generating additional funding. One component of improving efficiency is the rational use of prescription drugs, and the effective use of health technology assessments.
8. The imposition of tax and/or VAT increases of any kind needs to be done with care and awareness of impact on society: public support for these kinds of policies is essential. Importantly, this may need to be combined with an in-depth reform of tax systems not only to improve 'yield', but also equity; this will have impact on progressivity of tax systems. The engagement of all relevant stakeholders is key to achieving public support.
9. An essential component of creating sustainable healthcare funding and improve efficiency in healthcare resource allocation is developing mechanisms for the collection of good, comparable data on performance across and within countries. Decision-making on fiscal space and budget allocation should rely on good data and well-defined indicators which is interpreted correctly.
10. Looking into the future, and specifically for the Latin American context, a number of areas merit additional and in-depth investigation: (a) country-specific analysis of the implications of fiscal space and efficiency improvements, including attempts to reduce the impact of local parallel economies; (b) studying the impact of calibrating different forms of taxation, direct and indirect, progressive as well as regressive; (c) address the important issue of fragmentation in the health care systems, which feeds and sustains inefficiency; (d) address gaps that countries have on the demand-side, specifically, in purchasing & provision of services, utilisation, procurement; (e) study in-depth the effectiveness of different forms of taxation (e.g. earmarked sin taxes), esp. where the evidence seems to be poor; and (f) invest in high quality data, including a system of health accounts (where it does not exist), but also national prescribing systems, procurement data, as well as HTAs, where applicable. The objective of all the above will be to improve the quality of services provided, the transparency with which decisions are taken, and the efficiency of health system response so as to maximise the impact of existing and additional investments in health.