Health Financing in the Time of COVID-19

East Asia & Pacific

JLN Domestic Resource Mobilization Collaborative

COVID-19 Vaccine Financing: A Domestic Resource Mobilization Perspective
The COVID-19 crisis

- Macro-economic impact
- Health spending impact

- East Asia Middle Income Countries
- East Asia High Income Countries
- Pacific Countries
From double shock — health and economic — to double recovery

No economic recovery... without a health recovery

> End the pandemic
> Reclaim losses in UHC
COVID-19 has resulted in most countries in a deep recession

On average, GDP per capita growth dropped from 2.6% in 2019 to -4.7% in 2020 and is expected to increase to +1.1% in 2021.

East Asia High Income Countries:
- Drop: 6.7%
- Return to positive per capita growth: 2021
- Return to pre-COVID per capita GDP: 2022

East Asia Middle Income Countries
- Drop: 7.8%
- Return to positive per capita growth: 2021
- Return to pre-COVID per capita GDP: 2022

Pacific Countries:
- Drop: 8.0%
- Return to positive per capita growth: 2022
- Return to pre-COVID per capita GDP: 2025
Government revenues have fallen faster than economic output.

On average, GGR per capita growth dropped from +0.7% pre-COVID to -8.4% in 2020 and is expected to increase to +0.5% in 2021.

East Asia High Income Countries:
Drop: -3.8%
Return to positive per capita GGR growth: 2021
Return to pre-COVID per capita GGR level: 2022

East Asia Middle Income Countries:
Drop: -15.1%
Return to positive per capita GGR growth: 2021
Return to pre-COVID per capita GGR level: 2023

Pacific Countries:
Drop: -5.8% (negative pre-COVID)
Return to positive per capita GGR growth: 2023*
Return to pre-COVID per capita GGR level: ?
Growth in government spending is expected to fall behind pre-COVID trends

On average, GGE per capita growth stayed at approximately 6.0% in 2020, yet it is projected to drop to 1.8% in 2021 and -2.3% in 2022. Thereafter, it will stay below pre-COVID levels.

East Asia High Income Countries
2020: +25%
Period of fiscal adjustment: 2021 to 2023

East Asia Middle Income Countries
2020: -4.1% (2020)
Period of fiscal adjustment: 6 countries

Pacific Countries:
2020: -4.8%
Period of fiscal adjustment: 2022 and 2023
COVID-19 - HEALTH SPENDING IMPACT
Health expenditure components and their income elasticity

COVID-19 Crisis: Implications for Health Financing

Income elasticity of government expenditure on health
1.30

Income elasticity of OOP
0.88

$1.5 B Stagnant and ?

[Bar chart showing the share of total health financing for different regions and income categories]
**Scenarios**

1. Government decisions about per-capita health spending follow the same, procyclical behavior observed in the past.

2. Governments choose to hold the pre-pandemic share of health in government spending constant.

3. Governments protect the pre-pandemic trends in the growth of per capita government health spending.

4. Governments increase spending at the pre-pandemic growth rate, compensating also for lower OOP.
Scenario analysis – GHE per capita

**East Asia Middle Income**

<table>
<thead>
<tr>
<th>Year</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
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<tr>
<td>2020</td>
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<tr>
<td>2025</td>
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<td>2020</td>
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<tr>
<td>2025</td>
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**Pacific**

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Changes in prioritization of health to meet past spending trends

East Asia Middle Income

East Asia High Income

COVID-19 Crisis: Implications for Health Financing
What is the path toward a double recovery?

FROM DOUBLE SHOCK TO DOUBLE RECOVERY - IMPLICATIONS AND OPTIONS FOR HEALTH FINANCING IN THE TIME OF COVID-19

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