

SECURING UGANDANS' RIGHT
TO ESSENTIAL MEDICINES

Financing EMHS IN THE Public Sector

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SECTION 1

UGANDA HEALTH SECTOR FINANCING ARCHITECTURE

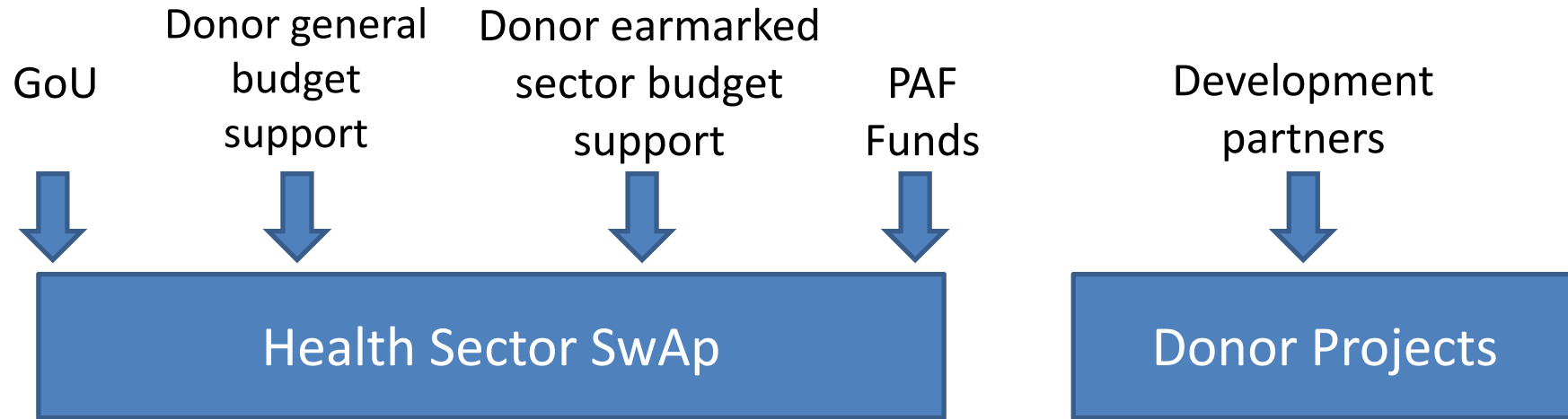


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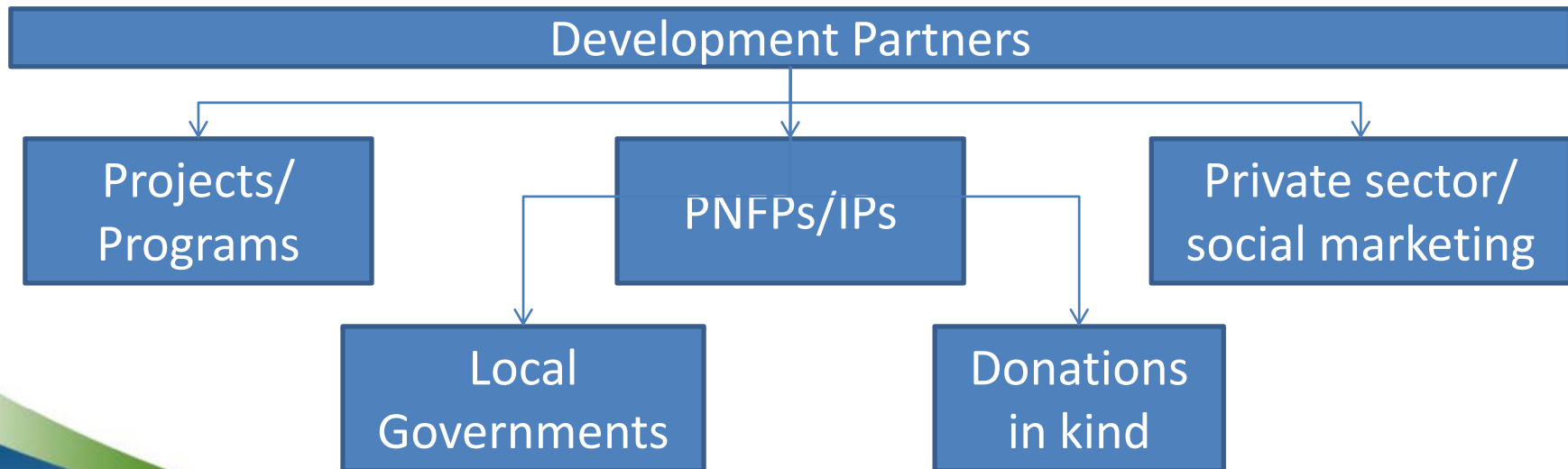


Financial Flows

Financial Resources within the MTEF



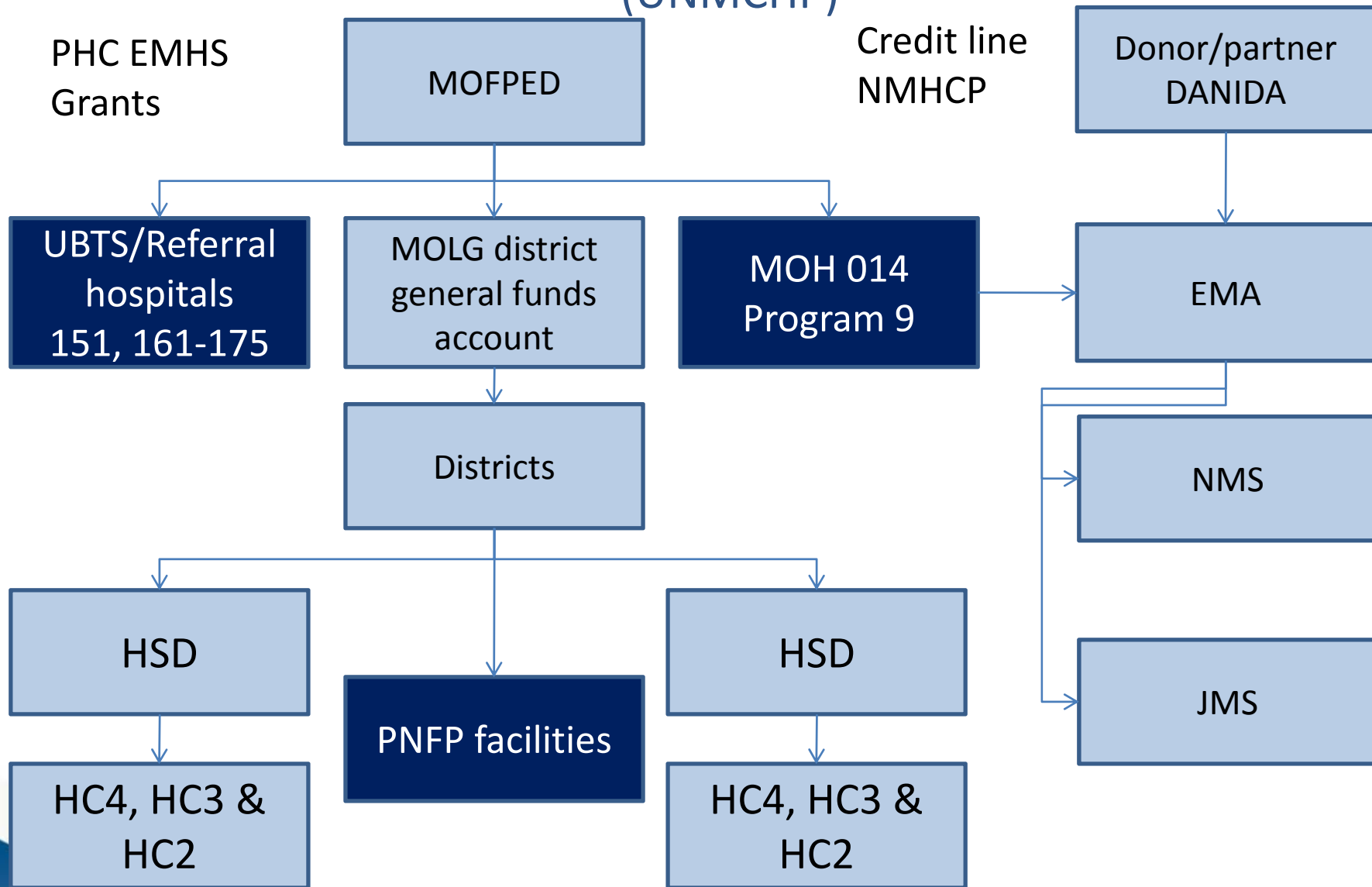
Off budget financing



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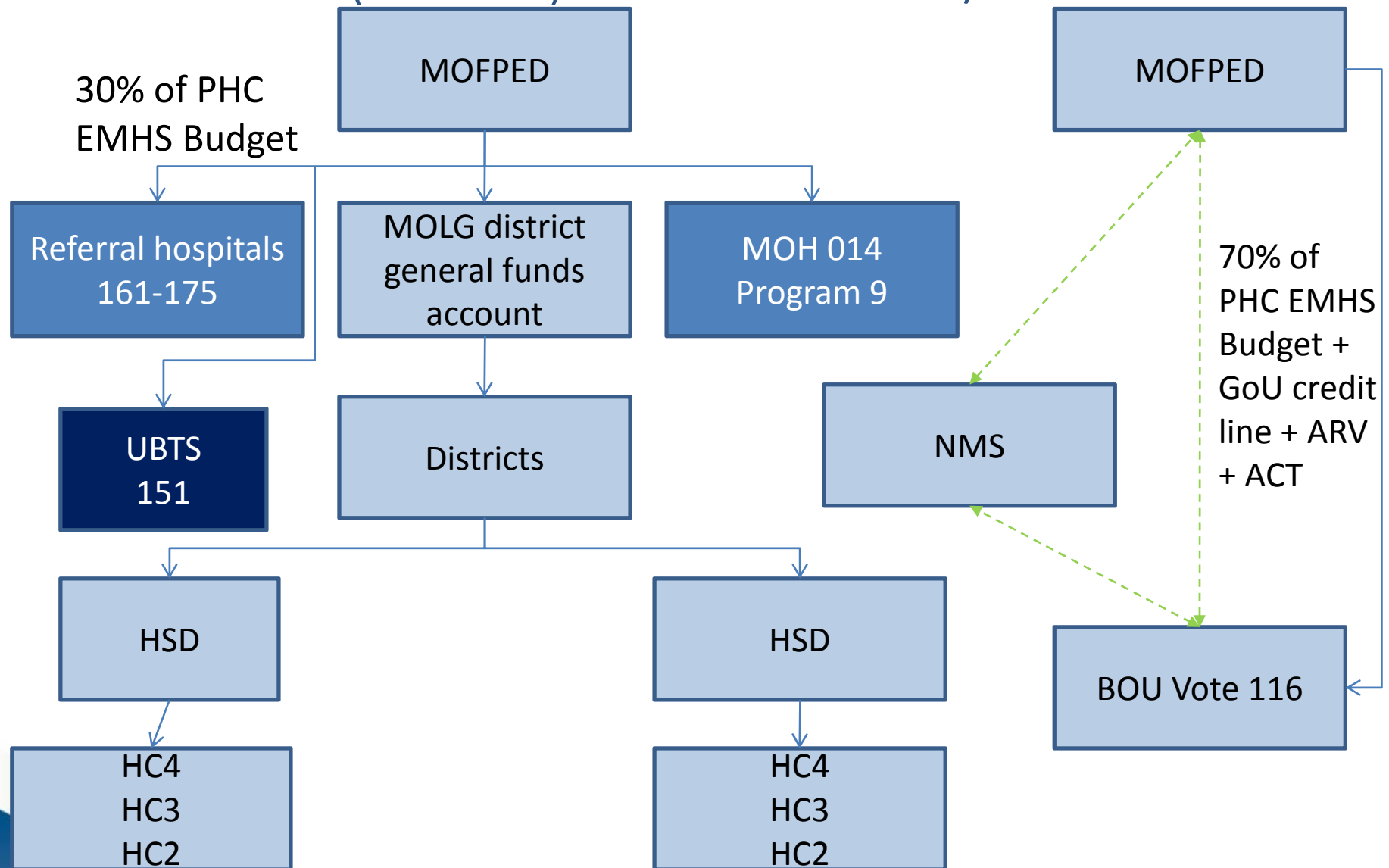
Funds Flow Uganda National Minimum Health Care Package (UNMCHP)



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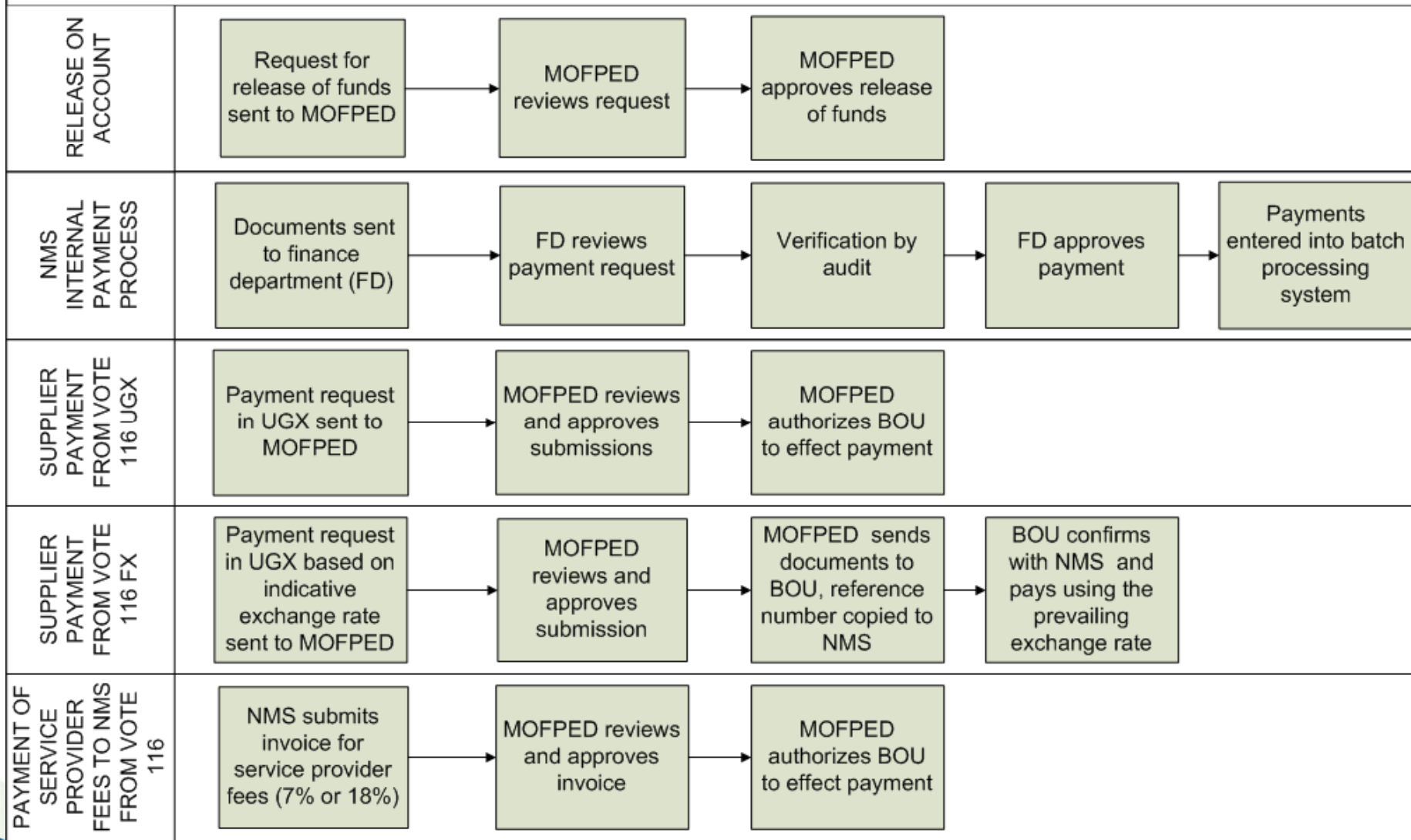
Funds Flow Uganda National Minimum Health Care Package (UNMCHP) after Vote 116 2009/2010



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VOTE 116 OPERATIONS



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Vote 116 FY 2009/2010 (1)

- Replaces Essential Medicines Account and decentralized PHC financing for EMHS
- No GOU funding for Essential Medicines Account
 - DANIDA consequently withheld its UGX 6.7 billion contribution for financial year 2009/2010
- No provision for PNFP facilities which previously received 20% of the total PHC EMHS and credit line budget.
 - DANIDA released UGX 3.5 billion through JMS to support PNFP facilities.
- UGX 74.9 billion appropriated to Vote 116
 - UGX 47.3 billion for ACTs and ARVs
 - UGX 7.0 billion handling fees due to NMS inclusive (7% on ACT/ARV & 18% on EMHS)
 - UGX 20.6 billion for other EMHS.



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Vote 116 FY 2009/2010 (2)

- Quarter 1 release (30% PHC funds) made under the previous system, subsequent releases under Vote 116
- NMS supplied health facilities with EMHS under the old credit line arrangement (UGX 3.7 billion), but no provision in current fiscal budget to settle these liabilities.
- Three Vote 116 releases
 - UGX 1.9 billion (24th August 2009)
 - UGX 45 billion (6th November 2009)
 - UGX 14 billion (10th of February 2010).
- The UGX 14 billion release was half the NMS request (UGX 28 billion). Outstanding amount has to be received and spent prior to the close of the financial year.



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Implications of Vote 116

■ Eliminates

- lead times for transfer of funds to regional referral hospitals, general hospitals and health sub districts (12, 20 and 27 days respectively)
- delays of release of PHC funds earmarked for EMHS to districts as a result of non compliance with accounting guidelines
- health facilities' non compliance with PHC grant expenditure guidelines
- reallocation of funds to other budgets
- accumulation of unpaid debt that negatively affected NMS capacity to procure EMHS
- Addresses non utilisation of PHC funds at either NMS or JMS (e.g., by national referral hospitals)
- Significantly shortens NMS operating cash cycle (long MOH and districts payment times)



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Vote 116 Strategic Challenges (1)

- Availability of EMHS in the entire public health system is dependent on the performance of NMS as the sole procurement and supply agency.
- No provision for health facilities to procure EMHS from alternative sources in case of non availability at NMS.
- Unutilised funds on VOTE 116 revert to the consolidated fund at the close of the financial year
- No formal framework exists for VOTE 116 describing roles and responsibilities (MOFPED, MOH, MOLG and NMS)
- Current system has no internal control mechanism to monitor pricing, invoicing, proof of delivery and performance monitoring



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Vote 116 Operational Challenges (2)

- Responsibility for allocation of funds to health facilities has shifted from MOH and HSD to NMS
- NMS must now manage 2400+ health facility accounts as opposed to 281 accounts
- Payments through VOTE 116 is based on proof of procurement by NMS instead of EMHS deliveries to health facilities
- NMS is wholly dependent on service provider fees charged on ACT/ARV (7%), EMHS (18%) and third party handling fees to cover operating costs.



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GOVERNMENT OF UGANDA EMHS BUDGET ALLOCATION

2008/2009 UGX billions

	GOU FACILITIES	PNFP FACILITIES	TOTAL
PHC	17.6	4.4	22
EMA	10.08	2.52	12.6
MULAGO	10.0	NA	10.0
BUTABIKA	1.0	NA	1.0
SUB TOTAL	38.68	6.92	45.6
ACT/ARV'S	36.8	9.2	46.0
TOTAL	75.48	16.12	91.6

2009/2010 UGX billions

	GOU FACILITIES
30% PHC release	6.6
MULAGO	3.0
BUTABIKA	0.3
VOTE 116 EMHS	20.6
SUB TOTAL	30.5
ACT/ARV'S VOTE 116	47.3
NMS FEES VOTE 116	7.0
TOTAL	84.8



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VOTE 116 SUMMARY

- Total allocation for GOU/DANIDA funded EMHS has reduced by UGX 6.8 billion in FY 2009/2010 compared to 2008/2009.
- The reduction is equivalent to the DANIDA contribution to the EMA of UGX 6.7 billion which was not disbursed in 2009/2010
- UGX 6.92 billion & ACT/ARV's was availed to support EMHS in the PNFP sector in 2008/2009
- PNFP facilities have not received any support from GOU for EMHS 2009/2010
- UGX 3.5 billion disbursed directly to JMS to support the PNFP sector 2009/2010.
- DANIDA support to the health sector in Uganda ends FY 2009/2010
- UGX 8.7 billion reduction in financial allocation to GOU facilities (EMHS excluding ACT/ARV's) expected to be compensated by NMS charging a handling fee of 18% as opposed to a mark up of 26%.



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SECTION 2

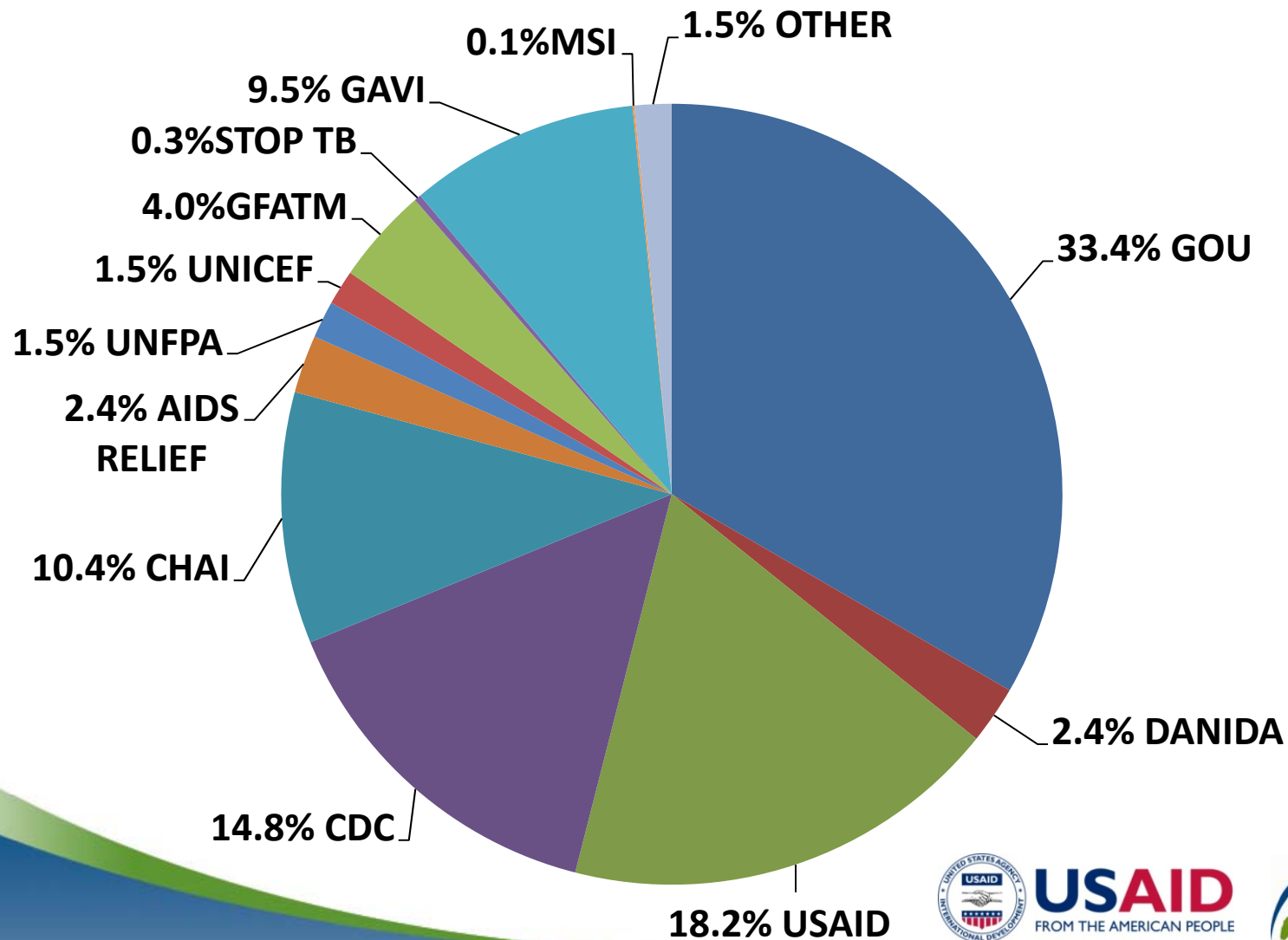
SNAPSHOT 2008/2009 EMHS FINANCING



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Financing Essential Medicines and Health Supplies FY 2008/2009

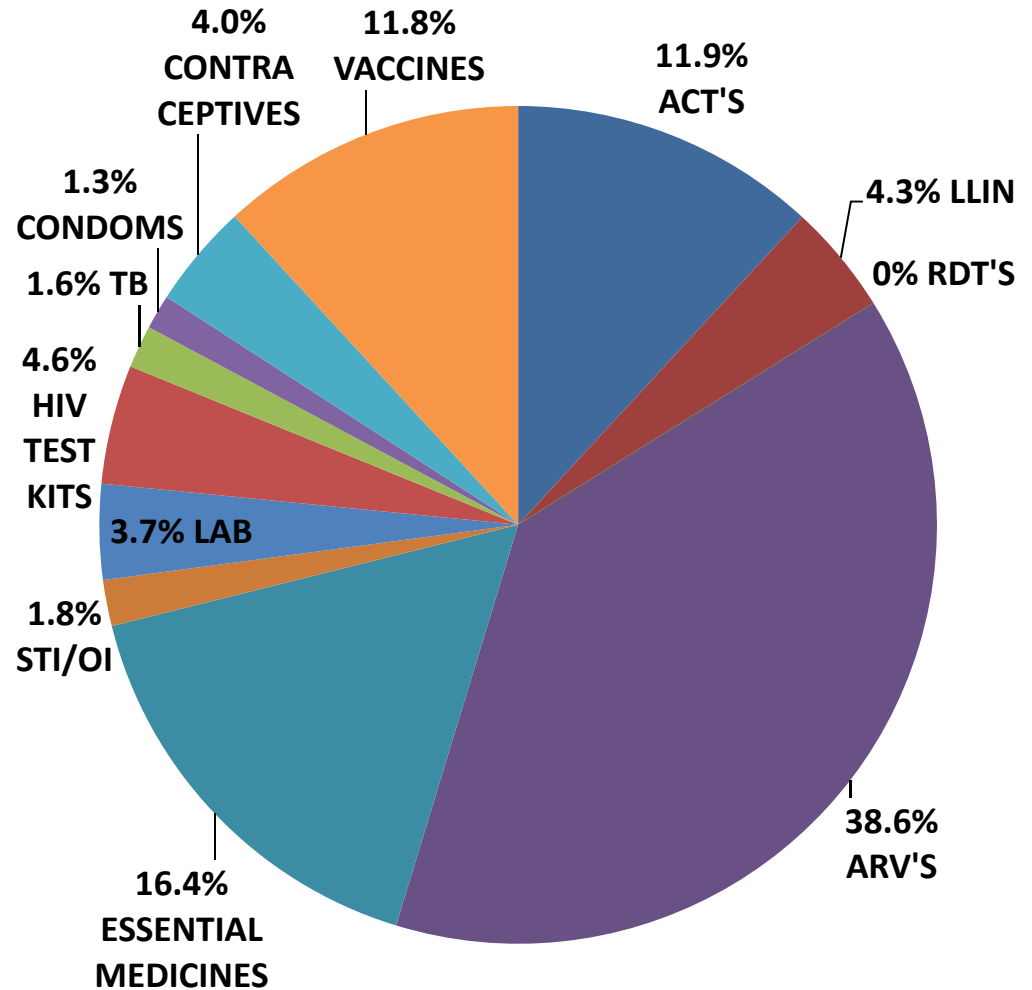


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Resource Allocation by Commodity Group 2008/2009

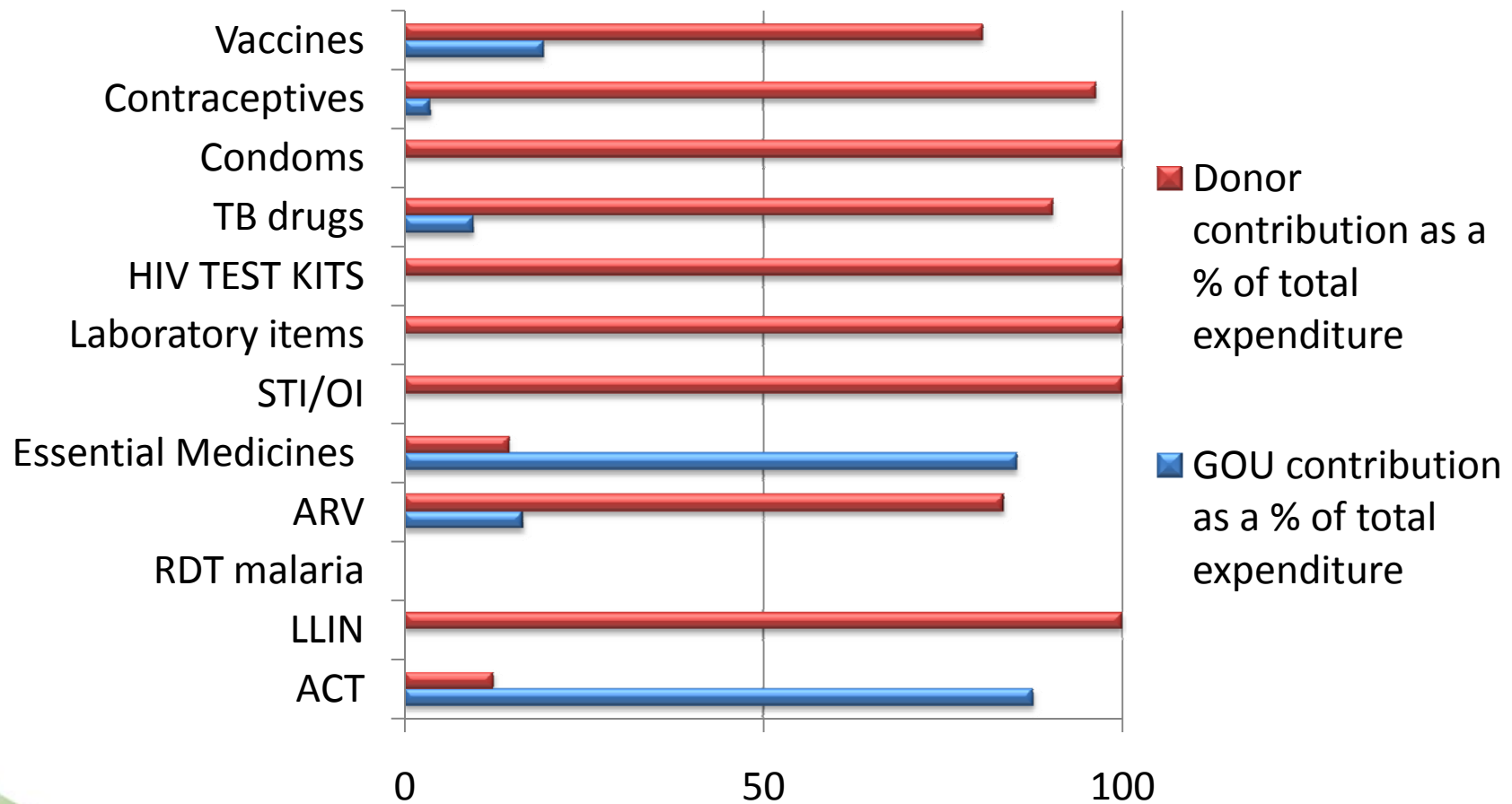
Item category	Total resource allocation in million USD
ARV	54
Essential medicines	23
ACT	17
Vaccines	17
HIV Test kits	6
LLIN	6
Contraceptives	6
Laboratory items	5
STI/OI	2
TB drugs	2
Condoms	2
RDT malaria	-
Total	139



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GOU and Donor Contribution by Commodity Group 2008/2009



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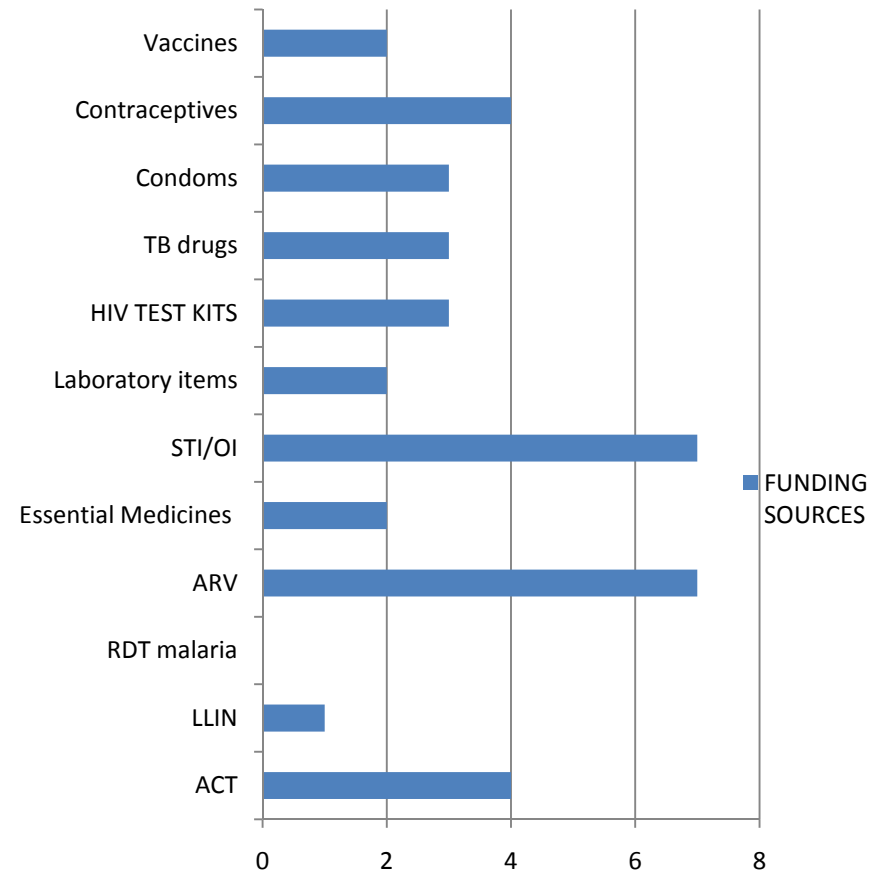


Funding Reliability and Predictability

FUNDING VULNERABILITY

Percentage of GOU Funding	Commodities	Status
0%	Laboratory commodities, condoms, HIV test kits, RDTs, LLINs	Donor dependant
< 20%	ARVs, vaccines, contraceptives, TB drugs	Donor dependant
> 80%	NMHCP medicines and supplies, ACTs	GOU dependant

NUMBER OF FUNDING SOURCES



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Key Findings (1)

EMHS FINANCING 2008/2009

- Total sector release including budget support and donor projects in the MTEF was equivalent to **USD 314 million (AHSPR 2008/2009)**
- Total GOU and Donor expenditure on EMHS including off budget projects, but excluding CAP expenditure and direct support to district health facilities by donor projects was equivalent to **USD 139 million. (SURE SURVEY DATA)**
- 45% of total EMHS expenditure was spent on HIV related commodities
- A significant proportion of donor funding remains off budget significantly impacting on reported per capita expenditure on health



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Key Findings (2)

- GOU procurement of ARV's was restricted to two first line drugs Zidovudine/Lamivudine/Nevarapine and Zidovudine/Lamivudine.
- The financing of other first line and second line ARV's, paediatric formulations and ARV's for PMTC is 100% donor dependent

Vulnerable commodity groups

- DANIDA support to the health sector ends in financial year 2009/10 creating a funding gap of \$ 3.7 million per anum for EMHS
- GOU will remain the sole financing source for medicines and supplies required to deliver the UNMHCP
- CHAI funding draws to an end 2010 leaving a funding gap of \$ 14.5 million for paediatric ARV formulations, PMTCT and HIV related commodities.
- Effective 2010 financing of HIV laboratory commodities and test kits is subject to signing of a new 5 year cooperative agreement between GOU and CDC/PEPFAR
- The Global fund is the main anticipated source of financing for LLIN's, RDT's, condoms, TB drugs and to a major extent ACT's and ARV's



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SECTION 3

ASSESSMENT OF THE FUNDING GAP



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Funding Gap for EMHS 2008/2009

COMMODITY	Quantified requirement 2008/2009 in million USD	Total resource envelope 2008/2009 in million USD	Funding gap in million USD	% of estimated requirement financed
EMHS including anti cancer drugs GOU facilities	36.1	18.3	(17.8)	51
ACT'S GOU facilities	17.1	13.2	(3.9)	78
ARV including PMTCT	57.3	53.8	(3.5)	94
Vaccines Routine & Supplemental	29.4	16.5	(12.9)	56
Contraceptives	1.8*	5.6	3.8	100*
Condoms	3.2	1.9	(1.3)	57
Anti TB drugs	1.3	2.3	1.0	179
Lab supplies & consumables	21.6	5.1	(16.5)	24

* Only for GOU facilities



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Funding Gap Per Capita

COMMODITY	Quantified requirement GOU/PNFP facilities* in USD	Quantified requirement GOU facilities* in USD	2008/2009 actual expenditure* in USD	2006/2007 public expenditure on medicines and supplies in USD	Out-of-pocket expenditure on medicines and supplies*** in USD
EMHS	1.6	1.2	0.76	0.72	5.13
ACT	0.7	0.57	0.55	-	-
ARV	1.91	-	1.8	-	-

* MOH Quantification study 2009

** SURE Field data

*** EADSI 2008



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SECTION 4

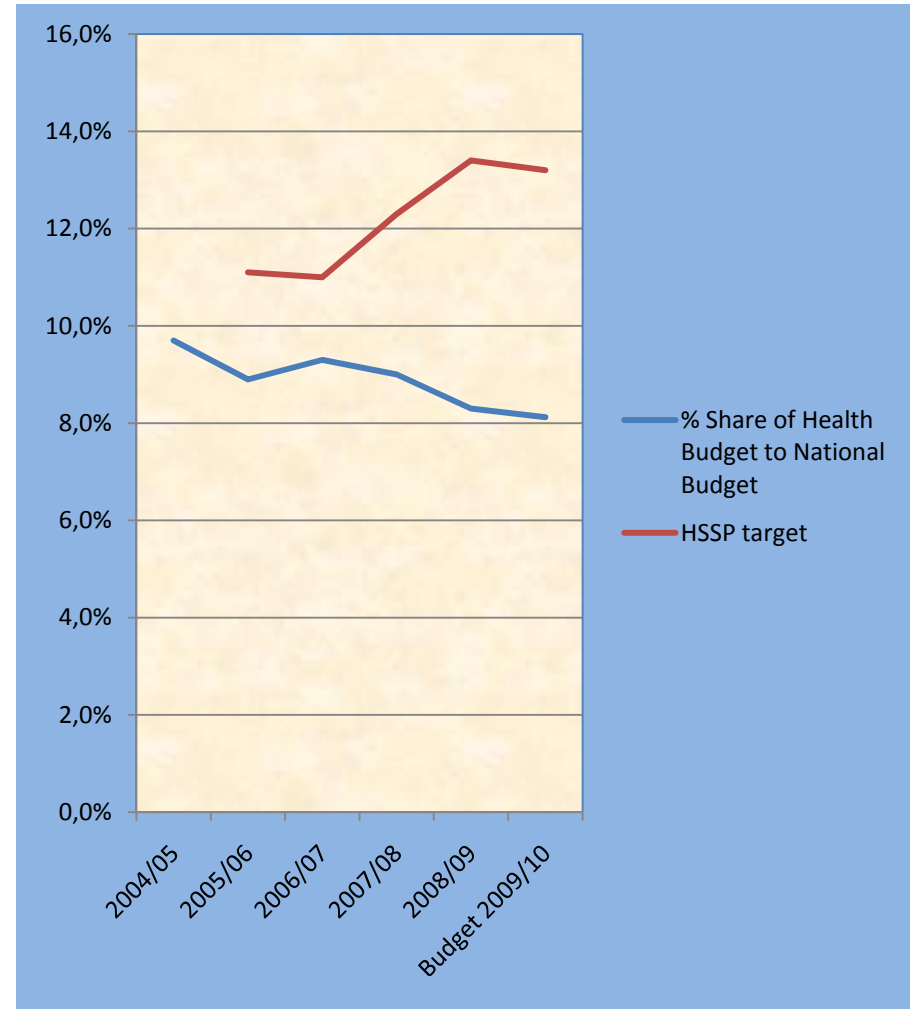
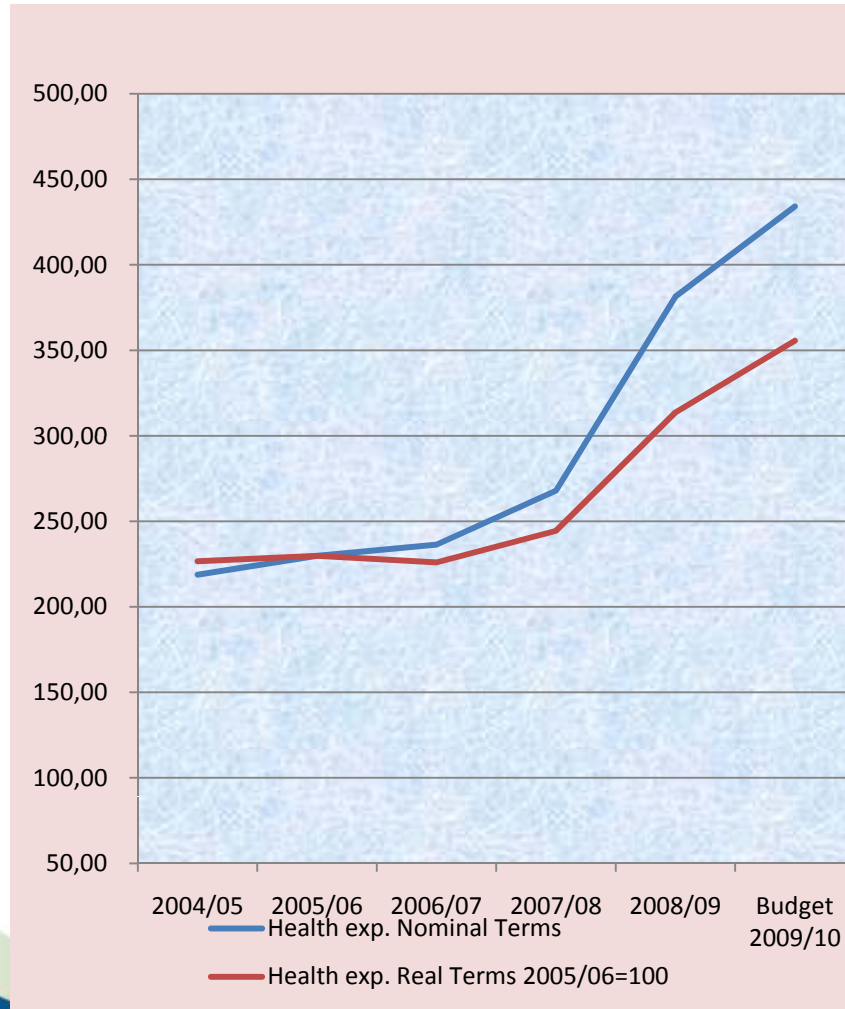
THE BIGGER PICTURE



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Government of Uganda Health Expenditure Trends

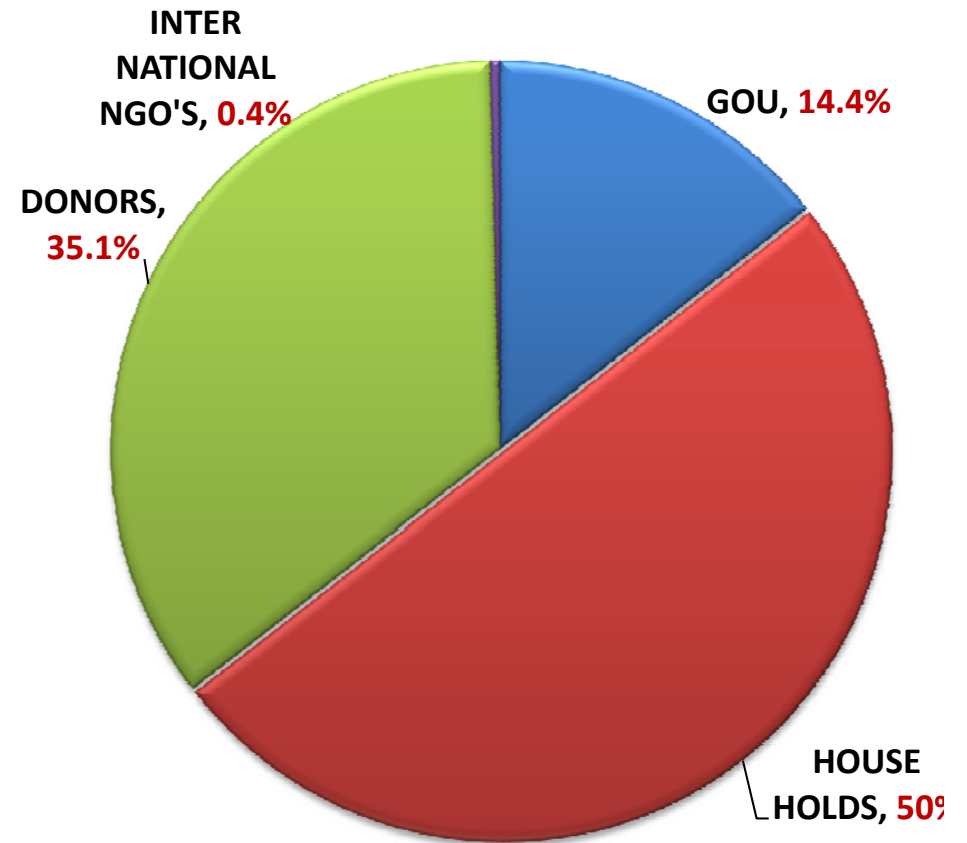
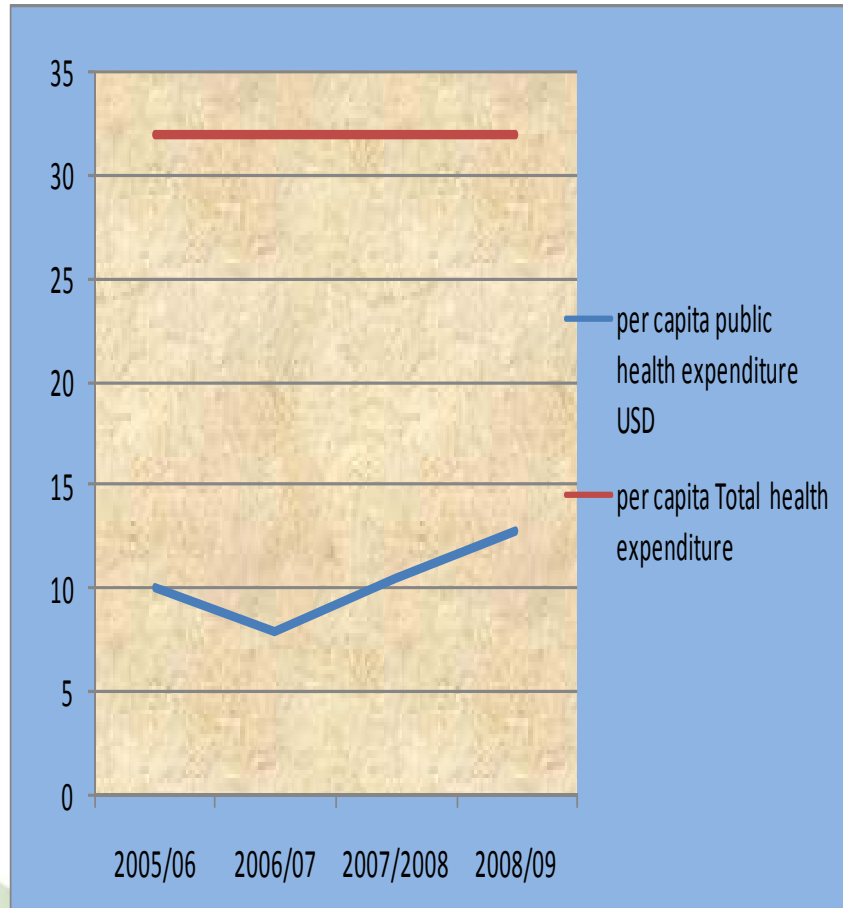


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Public vs. Private Health Expenditure

% contribution to total health expenditure



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Summary of National Health Expenditure on Medicines

Table 2. Estimated expenditures on medicines in Uganda based on identified sources

Out-of-pocket health expenditure per capita (USD) ^a	11.40
Out-of-pocket expenditure on medicines ^b	45%
Estimated per capita out-of pocket expenditure on medicines (USD)	5.13
Population (2007 estimate)	30,262,610
Estimated total out-of-pocket medicines expenditures (USD)	155,247,189
Government per capita expenditure on medicines and supplies (2006/2007) ^c (USD)	0.72
Estimated government expenditure on medicines (USD)	21,789,079
Donor per capita expenditure on medicines and supplies (2006/2007) ^c (USD)	3.34
Estimated donor expenditure on medicines (USD)	101,077,117
Estimated total expenditure on medicines and supplies (USD)	278,113,385
Total per capita expenditure on medicines and supplies (USD)	9.19
Out-of-pocket (%)	56%
Public (including donor) (%)	44%

^aWHO 2008b Health Statistics

^b2003 household data cited in World Bank, 2005

^cMOH 2007



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Observations (1)

- Government of Uganda expenditure on the health sector has increased in both real and nominal terms over the HSSP II period FY 2005/2006 to 2009/10
- Despite the increase in expenditure the allocation to the sector as a % of the national budget has declined.
- With an inter census population growth of 3.2% and inflationary pressures the actual value of EMHS available per capita has stagnated.



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Observations (2)

- Total health expenditure (public and private) is estimated at \$ 32 per capita. **(NHA 2006/2007)**
- The cost of delivering the Uganda National Minimum Health care package excluding ACT's, ARV's and pentavalent vaccines was estimated at \$ 28 per capita. **(HFS 2002)**
- The total public per capita expenditure on health 2008/2009 was \$ 12.7 including ACT'S, ARV'S and pentavalent vaccines (AHSPR 2008/2009)
- The HSSP II remains significantly underfunded as it draws to a close.



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Challenges

- 60% of health commodity financing is donor dependent
- GOU and donor contribution to the health sector has to be prioritised and aligned to avoid duplication and inefficient resource allocation
- 50% of the Total Health Expenditure is out of pocket affecting the poorest segment of society.
- 30% of this expenditure is committed to the purchase of pharmaceuticals
- The total GOU and donor contribution in 2008/2009 for EMHS was equivalent to USD 3.0
- The estimated per capita out of pocket expenditure on pharmaceuticals and supplies is USD 4.8
- Availability and accessibility of financial spending data is greatly limited there is a need for a mechanism to routinely track such data to facilitate planning and policy formulation
- Given the significant contribution of development partner support that is off budget, a mechanism to coordinate the procurement and track commodities from the different funding sources should be implemented



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