Financing Catastrophic Health Epidemics – Prevention is Better than Cure

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Background Paper

International Conference on Financing Healthcare in Africa: Challenges and Opportunities

30 November and 1 December 2015, Dar es Salaam, Tanzania

The Ebola epidemic has highlighted the relative unpreparedness of the affected health systems in dealing with the crisis and the international community's delayed response in financing it. This paper will discuss which options LMICs have at their disposal to mitigate future health crises. Innovative solutions such as a regional insurance and the involvement of the private sector are explored as well as the need to contrast this 'financialisation' of health risks with the need to invest prior to epidemics in those systems.

How serious is the threat?

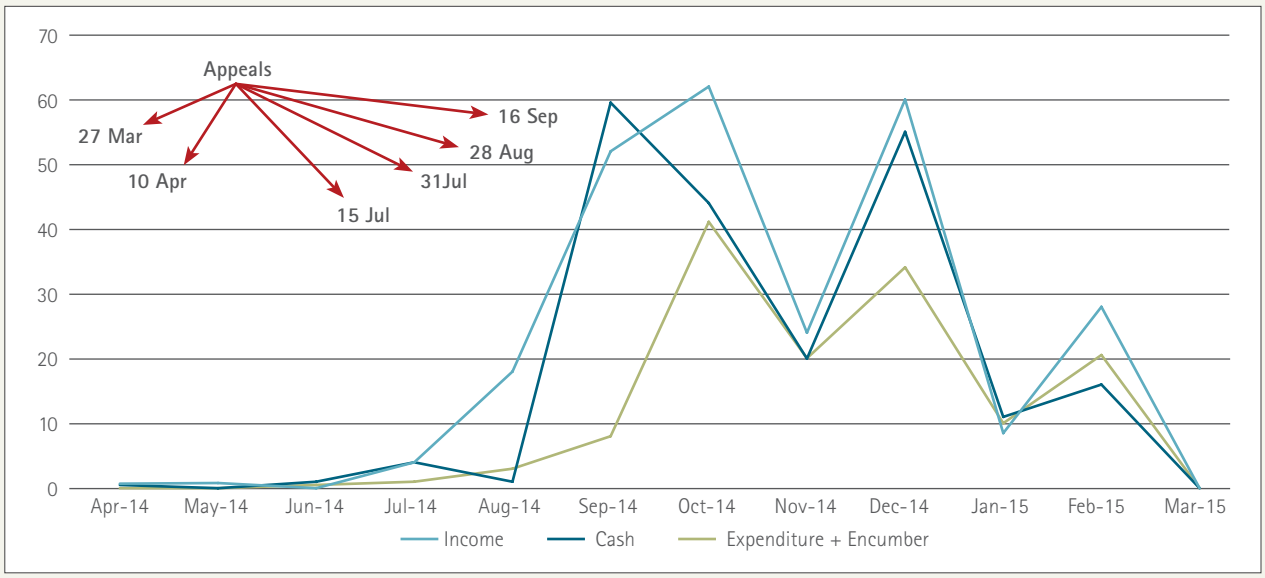
The direct financial cost of the Ebola pandemic was estimated to be approximately six billion US dollars and global economic losses over 15 billion dollars.[1] Ebola is not the first costly pandemic either: "From 1997-2009, six major outbreaks of highly fatal zoonoses—such as Ebola, SARS, avian and H1N1 flu—caused an

1 Editorial / International Journal of Infectious Diseases 38 (2015) 89–94

BOX 1: THE COST OF TREATMENT VS CURE – COST OF NIGERIA'S EBOLA RESPONSE COMPARED TO NEIGHBOURS

According to the UN Office for the Coordination of Humanitarian Affairs (OCHA), $1.1 billion in development assistance was disbursed in 2014 to combat the Ebola crisis in West Africa. Of this, 59.4% was channelled as DAH (as opposed to humanitarian funding). However, this response, as significant as it was late (for example, the WHO only declared a public health emergency of international concern 4.5 months after the first case of international spread) and inadequate for the task at hand.

Figure 13: The (Un)timeliness of International Response to Ebola



Source: England, S. (2015) Contigency fund concept for discussion:5

Liberia, Sierra Leone and Guinea have among the world's weakest health systems, characterised by the severe shortage of health workers. This situation, compounded by a rather slow donor response, led to more than 8 900 deaths in these countries. In Sierra Leone alone, an estimated 12 000 children were orphaned. Estimates indicate that the direct cost of Ebola is $6bn and at least $15bn in economic costs. Recovery plans for Guinea, Liberia, and Sierra Leone developed in April, 2015, total more than $4.5 billion over the next several years. The direct costs alone amounts to 3 years of funding for WHO, and is well over 20 times the cost of WHO's emergency response cuts in its 2014–15 budget.

Nigeria, on the other hand, confirmed its first case of Ebola in July 2014. Its widely successful surveillance infrastructure on tracking missed polio vaccinations through an innovative GPS based tracking system was repurposed to track additional infections with an additional $12m of funding from DPs and government. Nearly 1000 people were quarantined swiftly following the confirmed case. The epidemic was contained to the 19 and among the 19 infected, mortality was 36% - much lower than mortality rates experienced in neighbouring countries.

Not without critics, not least for being very expensive and being vertical and distorting PHC in Nigeria, the existence of highly functional surveillance infrastructure mitigated against a potentially catastrophic Ebola outbreak in Lagos.

estimated $80 billion in economic losses."[2] Estimates suggest that an airborne Spanish flu-like outbreak today would kill more than 33 million people in 250 days. Estimates of the cost of a severe outbreak could be 5% of global GDP – or USD $4 trillion (ibid).

Another pandemic will come.[3] The question is: how can we all be better prepared for it?

What we have is not good enough...

What became very clear during the latest Ebola outbreak in West Africa, was that health systems were not able to cope, and that existing international aid mechanisms were too slow to provide any immediate financial support (the WB allocation of resources took 8 months to reach the affected countries.)[4]

The importance of prevention and cure

Preparing against a potential pandemic could take the form of a), investing to build resilient health systems prior to the pandemic, ensuring that enough resources are made available to make UHC happen (see paper 4: UHC), hence translating into a better equipped health system (in terms of health workers, facilities, drugs for example) and a more accessible health service (see paper 4 for details); and b), ensuring that enough additional and rapidly disbursed resources will be available in case of a pandemic arising.

The focus of this section is on the latter approach, as the first has already been covered in papers 1 & 4.

Existing funding mechanisms that could be used to pay for 'curative' pandemic response

Pandemics are particular in that they need immediate and large disbursement of funds. Usual aid instruments and national level domestic resource mobilisation are therefore not suitable. Innovative approaches have been, and are being, developed.

- **Word Bank** instruments include the IDA Crisis Response Window (IDA CRW) which provides urgent financing to help the poorest countries to respond to crises; the CAT DDO (catastrophe deferred drawdown option) which provides a line of credit that allows middle-income countries to access immediate financing following a natural disaster; and the Ebola Recovery and Reconstruction Trust Fund (ERRTF).
- The **African Union** set up the African Risk Capacity Insurance Company Limited, which is an initiative designed to improve current responses to climate-related food security emergencies.[5]
- The **WHO** also has a number of emergency funds accessible in case of pandemics: the WHO Nuclear Threat Initiative Emergency Outbreak response fund for disease outbreaks (which is not just for nuclear threats as its name may indicate) and the Rapid Response Account for humanitarian emergencies.

New financing instruments: the Pandemic Emergency Facility (PEF) and the WHO contingency Fund[6]

- The **PEF**: In collaboration with other partners such as the WHO, the World Bank is leading on the development of the PEF, not yet officially launched. The PEF is expected to cover a range of response activities such as: (i) rapid deployment of a trained and ready health workforce ("global health corps" or 'white coats"); (ii) medical equipment, pharmaceuticals and diagnostic supplies; (iii) logistics and food supplies; and (iv) coordination and communication. The PEF proposal under development includes two options: (1) An insurance product developed with private insurance partners that could disburse funds soon after an outbreak occurs; and (2) a financing structure underpinned by contingent long-term pledges from development partners, against which the World Bank would frontload funds for the crisis response.

  The PEF would purchase insurance coverage from the private sector on behalf of developing countries to cover costs associated with disease outbreak response. When a pre-agreed parametric trigger (based on public and observable data) is activated, the private sector would make the agreed payouts to the PEF, which would disburse resources to eligible implementing partners to finance critical containment measures.
- The **WHO Contingency Fund**, of which funding sources; payment triggers etc. are still being developed.

These new financing instruments, particularly PEF, could potentially provide some relatively quicker disbursement of funds in case of a pandemic. However, countries must be aware that these type of financial instruments will be expensive (premium will be related to risk and risk is high). They must therefore be analysed with caution once further details are made available. Their cost must also be contrasted with the cost of building a strong health system able to respond to pandemics prior to the emergency happening.

Dealing with pandemics should not become only about developing new financial instruments. MoH and MoF must come to a common understanding of the potential catastrophic consequences on the health of the population and on the economy of the country of future pandemics, and prepare for it through every possible means, including, and as a matter of priority, strengthening the health system and contingency planning within the budget process. MoF and MoH must work in close collaboration to ensure that enough resources are made available prior to the epidemic happening and work on financial instruments to respond to the financial needs once the epidemic has happened.

2 http://www.worldbank.org/en/topic/pandemics/brief/pandemic-emergency-facility-frequently-asked-questions

3 For a frightening list of potential future pandemics, see Editorial, Planning for the Next Global Pandemic, International Journal of Infectious Diseases 38 (2015) 89-94

4 http://www.intelligentinsurer.com/news/world-bank-develops-pandemic-insurance-fund-5140

5 http://www.africanriskcapacity.com/

6 This information had been obtained through http://www.worldbank.org/en/topic/pandemics/brief/pandemic-emergency-facility-frequently-asked-questions and Edwards Sarah's presentation on 23rd of April 2015 on the WHO Contingency Fund (available online at http://www.google.co.uk/url?sa=t&trct=j&tq=&tesrc=s&t source=web&tcd=2&tved=0CCcQFjABahUKEwjvtOvFzb3IAhVGwBQKHSV7CHg&t url=http%3A%2F%2Fwww.who.int%2Fabout%2Fwho_reform%2Femergency-capacities%2FPresentation-Contingency-fund.pdf&tusg=AFQjCNG_ lo57TpVLG0e3QggOW5zdqt7XvA)

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Acknowledgements
The background papers to the CABRI 'Financing health care in Africa: challenges and opportunities' conference were produced by Adrian Gheorghe, Alina Lipcan, Clara Picanyol, Nouria Brikci, Tafara Ngwaru, Tomas Lievens and Sophie Witter.
Comments and guidance from Nana Boateng (CABRI) were gratefully received. Corresponding author: tomas.lievens@opml.co.uk
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