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## Use of SMPH for Resource Allocation: Setting the Stage

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# Learning Objectives

- To understand the evidence for inappropriate allocation of health resources
- To explain the reasons for a more rational approach to resource allocation in health
- To identify approaches to allocate resources and monitor fairness



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## Section A: Problem Identification: The Allocation Issue

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# Building a Hypothesis

- Questions to the class
  - Is the current allocation of resources in health acceptable? Why?
  - Give examples of what you think are reasonable allocations
  - Give examples of what you think are inappropriate types of allocations

# Underlying Hypothesis

- “Existing allocation of resources in the health sector is inefficient and therefore re-allocation would improve health”
- Evidence?
  - Many deaths of under-fives in LDCs could be averted by interventions costing \$10 or less (based on cost-effectiveness studies), *or*
  - Actual health expenditure averages \$50,000 per death averted (based on mortality and health sector spending)

# Type of Allocation Problems

- These allocation problems result in ...
  - Inefficiencies
    - ▶ Generic definition?
    - ▶ Examples?
  - Inequalities
    - ▶ Definition?
    - ▶ Examples?
  - Why are both important?

## Type of Allocation Problems (2)

- Problem No. 1: allocative inefficiency (misallocation)
  - Across sectors: health sector allocation not in proportion to need
  - Within health: allocations to interventions (often disease-based!) not rational
  - For example?
  - Why is this important?

## Type of Allocation Problems (3)

- Problem No. 2: technical inefficiency (use of allocated amounts)
  - Public money spent on interventions of low cost-effectiveness
  - Optimal gain in healthy life for fixed costs
  - For example?
  - Why is this important?

## Type of Allocation Problems (4)

- Problem No. 3: inequalities
  - Differences in measures of health across groups of people
  - The ones that concern us are “inequities”
  - E.g., the poor lack access to basic health care
  - Why are they important?

# How Do We Address Them?

- Issue No. 1: What are the health problems?
  - Who is affected?
    - ▶ Population and denominators
  - How are they affected?
    - ▶ Burden of disease assessments
  - Measure? SMPH!
  - Disaggregation by groups (equity analysis)
    - ▶ Age, gender, SES, urban/rural ...

## How Do We Address Them? (2)

- Issue No. 2: What interventions are available and at what cost?
  - What is the list of interventions available today? (*intervention analysis*)
  - What is their cost? (*cost analysis*)
  - How effective are they? (*effectiveness studies*)
  - What is the cost-effectiveness of interventions? (*CEA*)
  - Is their total cost acceptable? (*Budgets*)

## How Do We Address Them? (3)

- Issue No. 3: Who will do this?
  - **Role of the state/government**
  - Role of non-profit, non-governmental sector
  - Role of for-profit, private sector
  - Role of civil society
  - Role of academia
  - Role of donors/international organizations

# Changing Allocations

- Role of the state

# World Development Report 1993

- In 1990
- Health spending worldwide: \$1.7 trillion
  - 8% of world output
  - \$1.0 trillion—public sector
- In Africa and Asia, \$10 per person; \$2,700 per person in the US
- *Varies within Africa*
  - Tanzania: \$4 per person
  - Zimbabwe: \$42 per person

## Justification of State Role

- Provision of public goods—long externalities (spraying for malaria, immunization)
- Public financing of essential clinical services (highly cost-effective to improve health of the poor)
- Correct private market failures (info on cost, quality, and outcome—regulation/increase competitiveness)

## How Do Health Sector Reform Efforts Fare?

- As a result, need to evaluate state efforts to change health systems