

# APEC Healthcare Financing Roadmap

## Summary

This roadmap seeks to summarize the existing work within APEC on healthcare financing and identify future actions, overall objectives and potential metrics, in order to contribute to the implementation of Putrajaya Vision of building an open, dynamic, resilient and peaceful Asia-Pacific community by 2040.

## Introduction

The strong link between good health and prosperity has been well documented. The WHO notes that good health “allows children to learn and adults to earn, helps people escape from poverty, and provides the basis for long-term economic development.”<sup>1</sup> Conversely, ill health impairs productivity, hinders job prospects, and slows economic growth.

By setting appropriate financing targets which minimize out of pocket payments (OOP) by patients and healthy people (e.g., ideally at least 5% of GDP on public health spending according to the World Bank and WHO<sup>2</sup>) economies can make the most of their strongest asset: human capital.

However, in the APEC region, average government spending on health has remained below 5 percent<sup>3</sup> in the last two decades, increasing only slightly from 2.8 percent of GDP in 2000 to 4 percent of GDP in 2017. Out-of-pocket spending on healthcare has almost doubled between 2003 and 2016, reaching around USD 400 per capita in 2016. Almost one in five people in the APEC region are at risk of falling into extreme poverty as their healthcare burdens increase. The APEC Policy Support Unit notes<sup>4</sup> that APEC economies have faced significant capacity constraints in responding to the COVID-19 pandemic which stems from years of inadequate allocations for health systems. As such, there is a strong imperative to strengthen public-private partnerships to more effectively leverage the public and private sectors to expand access and achieve our health goals.

Ongoing and emerging public health challenges and years of underinvestment in health create significant costs for economies. Studies commissioned by the APEC Business Advisory Council (ABAC) and the APEC Life Sciences Innovation Forum (LSIF) in 2014 and 2015 show that APEC economies face losses in gross domestic product (GDP) of between 6 and 8.5 percent by 2030 due to the current and projected rise in non-communicable diseases (NCDs), coupled with aging populations.<sup>5,6</sup>

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<sup>1</sup> [“Universal Health Coverage \(UHC\)”](#) Fact Sheet, World Health Organization, April 2021

<sup>2</sup> Savedoff, W. [“What Should A Country Spend On Health Care?”](#) Health Affairs, July 2007.

<sup>4</sup> [APEC in the Epicenter for COVID-19](#), APEC Policy Support Unit, April 2020

<sup>5</sup> [The Impact of Health on Worker Attendance and Productivity in the APEC region](#), 2014, Victoria Institute of Strategic Economic Studies (VISES)

<sup>6</sup> [‘Cost of Early Retirement Due to Ill Health’, 2015, Victoria Institute of Strategic Economic Studies \(VISES\)](#)

APEC has made important progress to date in addressing health financing challenges (see Annex for full details). In 2015 APEC Leaders agreed “to address the fiscal and economic impacts of ill-health” and in 2020 reaffirmed the importance of strengthening healthcare systems, calling for “enhancing resilience, scalability and sustainability of health systems, thereby moving towards universal health coverage.” Specific APEC health financing projects have included the creation of the [APEC Checklist of Enablers for Alternative Health Financing](#), economy-specific engagements in Thailand and Japan, and the *Enhancing Innovative Healthcare Financing in Pursuit of Strong and Resilient Health Systems (LSIF 01 2020S)* project.

APEC officials have agreed on the firm links between health financing challenges and APEC’s broader objectives regarding fiscal reform, financial resilience, and financial inclusion. Officials have also agreed that APEC, with its strong links to the private sector and ability to address multidisciplinary challenges, is well-suited to address the topic, particularly how public and private sector funds could be leveraged together as well as the possibility of scaling up innovative pilot programs from the public and private spheres.

Thus, the healthcare financing initiative within APEC aims to assist governments in recognizing the importance of investing in their healthcare systems and the return on investment that can be achieved as well as helping to identify solutions that more efficiently use the funds allocated. Recognizing that governments have competing priorities and limited budgets, APEC<sup>7</sup> also aims to help interested economies increase access to healthcare by expanding the role of the private sector and exploring the use of innovative and alternative financing models to deepen the level of coverage provided in APEC economies. This roadmap outlines a multi-year plan to advance these critical goals.

### **Looking Ahead (2021- 2023)**

#### **Phase 1: - Continuation of healthcare financing information sharing and exchanges**

Interested economies are encouraged to propose healthcare financing initiatives to promote information sharing and discuss topics such as digital, FinTech, and insurtech solutions; financing for rare diseases/orphan medical products; financing for cancer; drug funds; managed entry agreements; as well as deeper dives into topics already discussed such as blended financing or commercial insurance. APEC will invite academic, private, and public partners to contribute to the webinars and catalog the lessons learned from these discussions, including perspectives from outside of APEC, into modules/building blocks/case studies that member economies and colleagues from outside of APEC may use to guide changes in their own domestic efforts to fund/improve healthcare financing. This work will predominantly take place in 2021 and may continue into 2022.

#### **Phase 2: Economy specific engagement and pilot development**

Phase 2 will look to include, where possible, economy-specific engagement with interested economies. This work may include completion of the APEC Checklist of Enablers for Healthcare Financing at domestic levels, the development of economy specific

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<sup>7</sup> This work is a result of a collaboration between the APEC Life Sciences Innovation Forum, APEC Health Working Group, the APEC Business Advisory Council, the Asia-Pacific Financial Forum, and the Finance Ministers Process.

recommendations and/or studies, Should the COVID-19 situation allow for it, face-to-face meetings, public-private dialogues, and/or workshops may be arranged to include experts from both inside and outside the specific economy. We will also continue to grow a network of healthcare financing stakeholders across APEC, building on the webinar series, and develop regional pilots and initiatives that help promote innovative healthcare financing mechanisms. A key goal of this phase will be to drive controlled experimentation and build real-world evidence for a variety of financing mechanisms. This work will begin at the end of 2021 and carry into 2022.

### **Phase 3: Plan implementation**

The work in 2023 and beyond will focus on developing and implementing pilots and scaling up successful partnerships. These efforts will seek to build on economy-specific engagements as well as broader, multi-stakeholder regional efforts. This could also involve the development or modification of policies that would incentivize and enable new innovative financing mechanisms allowing expanded and/or optimized financing of healthcare to support better health outcomes for people across each APEC economy.

In each of these phases the work will continue as a partnership between the LSIF, HWG, Asia-Pacific Financial Forum, Finance Ministers Process and other relevant experts and stakeholders across the APEC economies.

### **Potential Objectives and Metrics**

#### **Phase One Objectives**

- Identification of health financing successes and lessons learned to share among member economy partners.

#### ***Key Metrics***

- Critical mass of cases studies on innovative health financing – total number, case studies from a percentage of economies
- Identification of common themes, lessons, policies, and solutions to enable public and private health financing

#### **Phase Two Objectives**

- Completion of the APEC Checklist of Enablers for Alternative Health Financing by economies that wish to volunteer/participate.
- Assessment of current policy and regulatory environment in APEC economies and identification of key gaps to address.
- Development of economy specific action plans.
- Engagement through economy specific workshops.

### **Key Metrics**

- Number of economies that complete the APEC Checklist of Enablers for Alternative Health Financing
- Number of economy specific plans based on completing the enablers of investment checklist
- Number of economy specific steering committees established

### **Phase Three Objectives**

- Improve overall investment in health and the number of flexible options to invest in and finance access to health innovations across APEC.
- Piloting, scale-up and adoption of new health financing programs / initiatives / policy changes at national or regional levels.

### **Key Metrics**

- Number of economies that host a workshop or use findings from a workshop to inform policy in their economy
- Number of new pilots, initiatives, or policies that are launched drawing on experiences shared via the APEC Healthcare Financing workstream
- Amount or percent growth of additional / innovative / alternative financing mechanisms available across APEC economies.
- Overall investment (public and private) in health across economies (absolute and as a percent of GDP).

### **Annex – Previous APEC Healthcare Financing Activities**

In 2015 APEC Leaders called for work on the fiscal and economic impacts of ill health:

*We recognize the importance of our health systems in promoting the development of human capital and inclusive growth and look forward to further work in 2016 to address the fiscal and economic impacts of ill-health. (2015 APEC Leaders Declaration)*

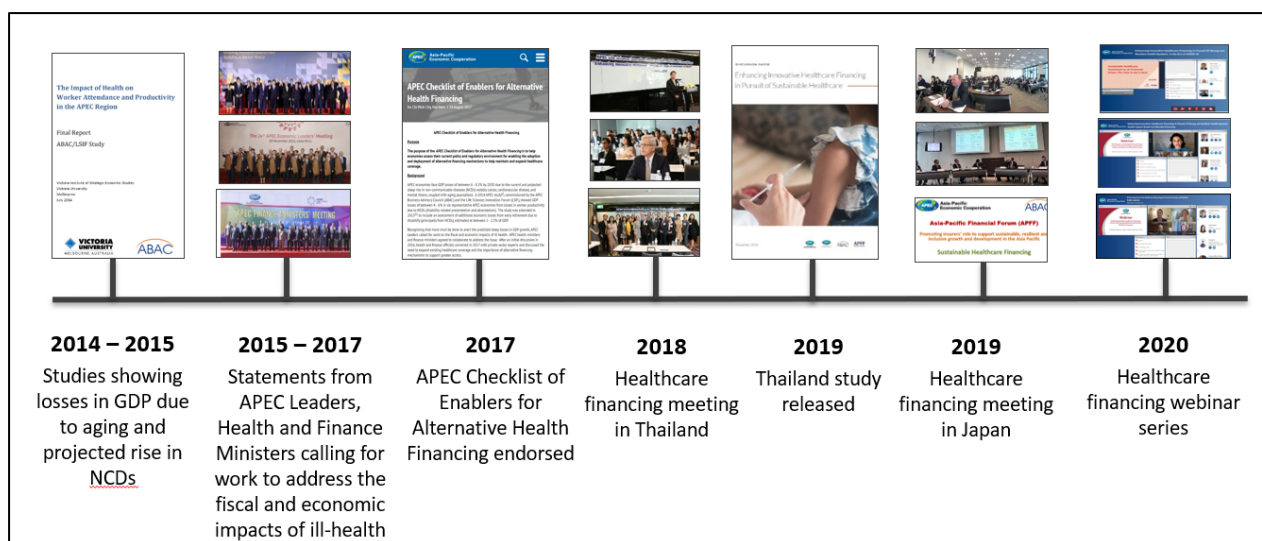
This was followed by a call from APEC Finance Ministers in 2017:

*We welcome the exploratory dialogues between senior finance officials, Life Science and Innovative Forum (LSIF) and Health Working Group (HWG) to address the fiscal and economic impacts of the steep rise in chronic disease and*

*of ageing societies in APEC economies. We encourage further dialogue with interested economies to share best practices and explore innovative, sustainable health financing solutions (2017 APEC Finance Ministers Statement)*

In 2017, APEC also endorsed the [APEC Checklist of Enablers for Alternative Health Financing](#), a tool designed to help economies assess their current policy and regulatory environment for enabling the adoption and deployment of alternative financing mechanisms to help maintain and expand healthcare coverage. This was followed by an economy specific engagement in Thailand and the development of a study on “[Enhancing Innovative Financing for Enhancing Innovative Healthcare.](#)” In 2019, the LSIF collaborated with the Asia-Pacific Financial Forum on health care financing in Japan.

**Figure 1: Timeline of APEC Healthcare Financing Work**



**Figure 1:** The figure above shows the timeline of healthcare financing work in APEC.

In 2020, the LSIF endorsed a new project, *Enhancing Innovative Healthcare Financing in Pursuit of Strong and Resilient Health Systems (LSIF 01 2020S)*. This initiative established a webinar series to provide information, best practices and case studies to enable APEC economies to deploy innovative and alternative healthcare financing mechanisms.

- [Enhancing Innovative Healthcare Financing in Pursuit of Strong and Resilient Health Systems in the Era of COVID-19](#), (July 15, 2020)
- [Enhancing Innovative Healthcare Financing in Pursuit of Strong and Resilient Health Systems: Health Impact Bonds and Blended Financing](#), (August 5, 2020).
- [Enhancing Innovative Healthcare Financing in Pursuit of Strong and Resilient Health Systems: The Role of Insurance](#), (October 29, 2020).

In November 2020, APEC leaders reaffirmed the importance of strengthening our healthcare systems, stating:

*“enhancing resilience, scalability and sustainability of health systems, thereby moving towards universal health coverage” (2020 APEC Leaders Declaration)*