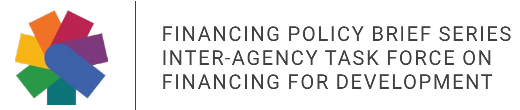


FINANCING FOR SUSTAINABLE PROGRESS TO UNIVERSAL HEALTH COVERAGE

Key messages

1. The world is off-track to meet SDG 3.8 Universal Health Coverage. Service coverage has stagnated since 2015, with persistent inequalities in coverage, and financial hardship due to out-of-pocket health spending has been worsening.

2. 90% of essential interventions for universal health coverage can be delivered using a primary health care (PHC) approach. An estimated 75% of the projected health gains from the SDGs could be achieved through PHC.

3. To progress towards UHC, countries need to ensure adequate levels of general government revenues are raised to finance health as the main source of funding.

4. Member states and global partners should promote the Lusaka agenda to reform funding approaches and accountability mechanisms to align behind domestic systems and priorities.

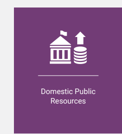
5. There is need to identify and commit to mitigation measures against the expected increases in countries' debt servicing.

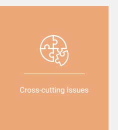
6. Taxes on fossil fuels can cut deaths from air pollution by about 50% globally, and in the process raise about 4% of global GDP in revenue. Fossil fuel subsidies amount to US$400 billion every year globally and removing these holds an enormous revenue raising potential.

Problem statement

The 2015 Addis Ababa Action Agenda acknowledged the critical importance of health for society and the economy and expressed commitment for enhancing international coordination and enabling environments at all levels to strengthen national health systems and achieve universal health coverage (UHC). The Sustainable Development Goals, adopted in 2015, gave another boost to the UHC agenda, with a key impetus on leaving no-one behind. Progress towards

RELEVANT ACTION AREAS





ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at: https://financing.desa.un.org/iatf/report/financing-policy-brief-series

UHC means both improved service coverage (i.e. use of needed services) and improved financial protection for patients.

Yet, with five years remaining, these goals will not be achieved despite the global commitment: **The world is off-track to meet the Sustainable Development Goal (SDG) 3.8 Universal Health Coverage.** While the trend globally over the past 20 years shows steady gains in service coverage, a slowdown has been observed since 2015, with persistent inequalities in coverage. In contrast, financial protection is worsening (1). This is largely explained by a greater reliance on private out-of-pocket payments (OOPs) on health, which deter many some people on other basic needs.

Indeed, as per the latest available data of 2019, about one billion people faced catastrophic health spending as they spent more than 10% of their household budget on health out-of-pocket. But even small expenditures in absolute terms can be devastating for low-income families; approximately 1.3 billion individuals were pushed or further pushed into relative poverty by such payments (living with less than USD 2.15 a day per person) because of health care costs, including 344 million people who were already living in extreme poverty.

The COVID-19 pandemic aggravated this further, as it resulted in a double shock – for both the health and economic sectors. Even though health spending went up during the pandemic, it has fallen dramatically, with significant pressure on the health sector.

And while many countries are now recovering, increased levels of government debt and debt servicing from annual budgets mean that public funding for health will remain limited in the near term. Many countries face rising interest payments on debts incurred, which will reduce their overall government spending capacity by between 15% to 30%. In fact, some 3.3 billion people live in countries where debt interest payments are greater than expenditure on health or education. The mechanism of Debt-for-Health (DfH) swap arrangements has the potential to unlock critical financing for health priorities, especially in countries facing severe fiscal constraints, even though improvements in this mechanism and further evaluations of its potential, challenges and strategic value are needed.

Moreover, fragmentation of the health financing system, such as different health coverage schemes for different population groups with a disjointed patchwork of different benefit packages, or multiple stand-alone and uncoordinated health programmes, often vertically donor-funded and organized, has increased in many health systems over the past decade. Often, this has contributed to waste and inefficiency, holding back the development of high-quality, well-coordinated and people-centered health services, which are vital to unlock the progress needed to meet UHC objectives.

Against this context, it is important to recognize the importance of the health sector more broadly. Health does not only serve the economy but generates benefits for society as a whole. In the World Health Assembly Resolution WHA77.13 on the Economics of Health for All, member states stress that health itself is important and of intrinsic value, and that “an economy of well-being perspective can be used to put people and their health and well-being at the centre of decision-making, underlining the mutually reinforcing nature of health, well-being and the economy”, and that “efficient, long-term investments in the determinants of health and well-being can contribute to curbing the rise in health and social welfare costs, and are therefore an investment in future generations.”

Policy solutions

Message 1: Improvements in health/development can only be achieved with sustained domestic public financing

To progress towards UHC, countries need to ensure adequate levels of general government revenues to finance health. Evidence is clear that voluntary contributions and voluntary health insurance are not a viable path towards UHC; no country has made significant progress to UHC with a predominant reliance on private spending. Despite this, out-of-pocket spending on health continues to dominate in many low- and middle-income countries, leading to foregone care and financial hardship. Therefore it is imperative to put explicit limits on out-of-pocket health spending, with exemptions for people living in poverty or in vulnerable and marginalized situations, in order to eliminate poverty induced by health care costs.

Countries with a national, mandatory health insurance scheme need to think about how to finance coverage expansion in a context of high informality. Hybrid financing, i.e. the combination of payroll deductions (health insurance contributions) from formal sector employee and budget transfers from general government revenues for those unable to contribute and some population groups within the informal sector can play a decisive role. This is needed to avoid an uncovered "missing middle".

Message 2: Guaranteeing access to essential health services, centred on primary health care, can unlock the progress needed to meet SDG 3.8

The majority of essential interventions (90%) for UHC can be delivered using a primary health care (PHC) approach. An estimated 75% of the projected health gains from the SDGs could be achieved through PHC. The global commitment to PHC-oriented health system strengthening to advance UHC provides the direction of reform by recognizing that people's health and the systems that support it require coordinated and comprehensive approaches.

Specifically, there is need to prioritize the poor and other vulnerable groups within the overall benefit design process, which – apart from a strong equity orientation – needs to be guided by cost-effectiveness considerations and a focus on primary care. Abolishing or limiting cost-sharing at primary care level is critical to safeguard access, while additional funding is required to ensure the availability of medicines, health workers and infrastructure.

Message 3: Strong health systems are needed to spend existing funds efficientlyng

It takes people, policies, information systems, financial systems and accounting systems to spend money on time and to spend it well. In other words, countries need to ensure the basic public financial management (PFM) functions are in place to enable credible and predictable resource allocations for health, effective budget execution, timely and full disbursements to health facilities and transparent monitoring and reporting of health expenditures.

This foundation creates an enabling environment to align purchasing mechanisms and provider payment methods with defined and explicit benefits. Strengthening purchasing and making it more strategic, whether this is done within the budget process or by channeling general revenue funds to a public insurance agency and pooling these with contributions, is a key driver for system improvement. Spending more on health from the budget needs to be done strategically to support more efficient use of resources and better matching funds to defined priorities. This also requires changes to PFM rules more broadly.

Message 4: Investing to prevent and prepare for future pandemics is paramount

Effective financing for Pandemic Preparedness and Response (PPR) necessitates flexible and accountable budget funding. The total annual financing requirement for future PPR is estimated at US$ 31.1 billion. Enhancing and adapting PFM systems is crucial to swiftly mobilize funds, ensure timely disbursement to frontline services, and effectively track expenditures during health emergencies in order to strengthening PPR.

Message 5: External financing for health needs to align and support country priorities and systems.

The current global health architecture requires reorientation to adequately support sustainable improvements in PHC-oriented health systems. Current models of external assistance focus on short-term, heavily earmarked, inflexible, vertical funding flows that often do not align to country systems or priorities. The Lusaka Agenda, launched in December 2023, underscores this problem, with a specific focus on Global Health Initiatives, and calls for coordination changes so external assistance can support and align behind domestically financed health systems. The shifts laid out in the Lusaka Agenda require reforms to funding approaches and accountability mechanisms to actively defragment and align behind domestic systems and priorities. The strong voice of country leaders that are calling for these reforms will need to be sustained to ensure the political support for reform is maintained.

Specific recommendations for FFD4

1. Global partners should support countries in establishing national-level emergency response funding mechanisms with adequate activation protocols to allow for rapid disbursement of funds. There is also need to develop standard operating procedures for extra-budgetary mechanisms to provide response financing.

2. Member states and global partners should promote the Lusaka Agenda, which supports the improved alignment and coordination of health financing actions for UHC. The Lusaka Agenda provides an opportunity to reinvigorate the "one budget, one plan, one M&E system" to bring together and align resources to strengthen overall health systems and related impact through a PHC approach.

3. Member states and development partners should identify and commit to mitigation measures against the expected increases in debt servicing. This is critical as the expected growth in public debt servicing will severely constrain efforts to invest in the critical foundations of health systems, address coverage gaps and protect the poor and vulnerable.

4. Member states should design health financing policy options to support climate mitigation and adaptation, with fiscal policies playing a critical role, such as the introduction or increase of taxes on goods and services with negative health or environmental effects. This is a cost-effective way of promoting better health and protecting the climate as well as raising additional public revenues. For example, phasing out fossil fuel subsidies can support climate resilience, and savings can be redirected to support UHC or other government priorities.

5. Member states should leverage the opportunities of digitalization of the health sector and health financing while taking measures to assess and address the challenges. Countries and the international community need to carefully assess the role of digital technologies and their effects and use them appropriately, with supportive regulatory provisions to reap the benefits. Tailoring the design and implementation as well as regulation to countries' (digital) ecosystems are critical to reduce digital divides.