Financing Global Health - Trends and Directions

Maureen Lewis, PhD
Visiting Professor, Georgetown University
March 26, 2015
Global health financing is in flux

- Big increases in donor financing for health 2000-2012 – led by the US
- Much of the financing tied to specific diseases

However:
- The global disease burden is shifting
- New players emerging notably philanthropic organizations and the private sector
- Developing world is becoming more Middle Income and middle class – that changes the demands, needs and players
Who is spending on developing countries, and on global health?
Foreign direct investment, remittances and private equity investments in developing countries dwarf ODA from 2004.

Source: Development Prospects Group, World Bank
Even LICs relying less on ODA

The importance of foreign aid has declined significantly for low-income countries

Source: Leo and Moss, CGD, 2015
Health Overseas Development Assistance (ODA) Trends and Priorities
ODA Disbursements by Sector 2002-2010

Source: Kaiser Family Foundation, Donor Funding for Health in Low- & Middle-Income Countries, 2002-2010
ODA Disbursements for Health & Year-to-Year Percent Change, 2002-2010

Source: Kaiser Family Foundation, Donor Funding for Health in Low- & Middle-Income Countries, 2002-2010
Sub-sectoral breakdown, 2008-09

- Health, general: 11%
- HIV/AIDS control: 41%
- Reproductive health other than HIV/AIDS: 11%
- TB, malaria and other infectious diseases: 19%
- Other basic health: 18%
- Health, general: 11%

Source: OECD; Note: bilateral and multilateral commitments, constant 2009 prices
Top 10 Donors for Health ODA, 2002 & 2010

2002

- United States: 31.7%
- World Bank: 21.2%
- All Other DAC: 12.8%
- Norway: 1.9%
- Germany: 2.2%
- UNICEF: 2.8%
- France: 3.0%
- Netherlands: 3.5%
- UNFPA: 5.9%
- United Kingdom: 9.5%

Total = $4.4 billion

2010

- United States: 34.6%
- Global Fund: 16.5%
- All Other DAC: 12.1%
- Japan: 2.1%
- France: 2.3%
- Canada: 2.5%
- Germany: 2.6%
- EU Institutions: 5.1%
- World Bank: 6.6%
- United Kingdom: 6.6%
- GAVI: 3.8%

Total = $18.4 billion

Source: Kaiser Family Foundation, Donor Funding for Health in Low- & Middle-Income Countries, 2002-2010
Changes in types of contributions 1990-2013

Source: IHME DAH Database 2013
Disease burden shift – implies need for new priorities
Distribution of NCD Deaths in Low and Middle Income Countries, 2016

Source: Institute of Health Metrics and Evaluation (Anonymous 2014)
Non-communicable disease health ODA per DALY by region, 1991–2010

Source: IHME DAH Database 2013 and Global Burden of Disease Study 2010
Foreign direct investment surging in and among developing countries
2013 Total Global FDI Flows

2013 FDI Inflows ($ Billions)
- Developed, 566, 39%
- Developing, 778, 54%
- Transition, 108, 7%

2013 FDI Outflows ($ Billions)
- Developed, 858, 61%
- Developing, 454, 32%
- Transition, 99, 7%

Health Services Inward FDI

FDI Inward Stock in Health Services ($USD millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed</th>
<th>Developing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1,053</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>5,887</td>
<td>7,339</td>
</tr>
</tbody>
</table>

2008-10 FDI in Health Services ($USD millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed</th>
<th>Developing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2,635</td>
<td>572</td>
</tr>
<tr>
<td></td>
<td>M&amp;A</td>
<td>Greenfield</td>
</tr>
<tr>
<td></td>
<td>1,489</td>
<td>1,461</td>
</tr>
</tbody>
</table>
Greenfield Global FDI last 24 months

Capital Expenditures
US$:

Healthcare, $2,613
Medical Devices, $4,967
Biotechnology, $5,524
Pharmaceuticals, $16,262

# of Projects:

Healthcare 95
Medical Devices 283
Biotechnology 116
Pharmaceuticals 398

Source: FDI Markets pulled February 15, 2015
# Emerging Market Examples of Outward Health FDI

<table>
<thead>
<tr>
<th>Company</th>
<th>Company Overview</th>
<th>Example Outward FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>IHH Healthcare Berhad</td>
<td>Malaysian-based healthcare provider that is the 2nd largest listed healthcare operator in the world by market cap, operates over 7k beds in 38 hospitals across 10 countries</td>
<td>March 2015 – IHH acquired 51% stake in India’s Continental Hospitals for $45.5M through its subsidiary firm Gleaneagles Development</td>
</tr>
<tr>
<td>Fosun Pharma</td>
<td>Publicly listed on the Hong Kong Stock Exchange after an IPO in 2012, Fosun Pharma is one of the top 5 domestic pharmaceutical companies in PRC by revenue</td>
<td>April 2014 – China hospital chain Chindex, a Maryland-based healthcare company, accepted buyout offer from Shanghai Fosun Pharma and PE firm TPG Capital for $466M</td>
</tr>
<tr>
<td>Fortis</td>
<td>Fortis is an Indian healthcare provider currently operating in India, Singapore, Dubai, Mauritius and Sri Lanka with 55 healthcare facilities, approx. 10k beds and 270 diagnostic centers</td>
<td>August 2012 - Becomes 1st Indian hospital chain with Greenfield Hospital abroad with the launch of Fortis Colorectal Hospital in Singapore</td>
</tr>
</tbody>
</table>

# Examples of Different Types of FDI

<table>
<thead>
<tr>
<th><strong>Greenfield</strong></th>
<th><strong>Joint Venture</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="images/columbia-pacific.png" alt="Columbia Pacific Capital Management" /></td>
<td><strong>Parkway Pantai</strong></td>
</tr>
<tr>
<td>Seattle-based Columbia Pacific Management is launching Columbia China and plans to build two-250 bed hospitals with an investment of up to $200M in China</td>
<td>Gleneagles Hong Kong Hospital, a 500-bed facility opening in 2016, is a joint venture between Parkway Pantai, NWS Holdings Limited, and the University of Hong Kong</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Capital Acquisition</strong></th>
<th><strong>Equity Acquisition</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="images/columbia-asia.png" alt="Columbia Asia" /></td>
<td><img src="images/tpg-capital.png" alt="TPG Capital" /></td>
</tr>
<tr>
<td>Columbia Asia, owned by Columbia Pacific Management, acquired Gleni International hospital (238 beds) in Medan, Indonesia in 2008</td>
<td>TPG Capital, a global private investment firm, announced in 2015 that they will buy a “significant minority stake” in Indian Hospital operator Manipal Health Enterprises for $145.86 million</td>
</tr>
</tbody>
</table>

Source: Wall Street Journal, Reuters, Company websites,
Remittances: rapid growth in household discretionary spending for health care
Remittances permit higher household health care expenditures

- Comparing 46 countries, higher remittances are associated with greater access to healthcare treatment.

- Across 12 African countries, households dedicate 5-12% of remittances received from outside Africa to healthcare.

- In Kwa-Zulu Natal, South Africa, remittances improved poorer household’s access to quality (private) medical care.

- Guatemalan HHs receiving internal remittances spend 22% more on health than do non-remittance households.

In Mexico healthcare expenditures rise in response to remittance earnings

- With each peso rise in international remittances
  - primary healthcare expenditures rise $0.06 - $0.09
  - hospitalization expenditures rise $0.12 - $0.20

- Remittances increase household health spending 3x more than do other sources of income

- Households receive an increase in remittances with a health crisis

- Remittances play an important role in financing household catastrophic care

Remittances induce shift to the private sector

- Elasticity of access to health care services with respect to remittances positive for total and private health care.
- Remittances have no impact on access to public health care services.
- Remittances improve overall access to health services inducing a “sectorial glide” from the public to private sector.
Remittances reduce need to finance hospital treatment with debt

Households with nuclear family in the US did not increase their debts due to health shocks.

This is consistent with remittances responding to households’ demand for financing emergencies, making them less reliant on debt financing.

Remittances expected to grow rapidly

- Ratha et al project rapid growth in remittances over the next decade
- Implies strong funding for health care in remittance recipient countries, for both Low- and Middle-Income Countries
Conclusions
The future of global health spending

- Health ODA levels benefited from significant increases between 2000 and 2012 but higher growth unlikely
- HIV/AIDS triggered much of increased ODA spending
- As the largest single donor US allocations were linked to PEPFAR
- Focus of historical spending largely communicable diseases but that is shifting, will ODA respond?
- Will OECD spending continue even if there is growth in OECD? Is there willingness to spend more on ODA?
- Middle and Low Income governments are spending more
New players likely to dominate the future of health care spending

- Demand coming from:
  - rising incomes,
  - urbanization,
  - growing remittance earnings,
  - citizen preferences for quality diagnosis and treatment, including inpatient care

- Philanthropy a major source of funding

- Private sector will continue to expand – both domestically and globally

- FDI will respond if governments and domestic investment does not
Thank you