WHO briefing for Member States

Monitoring financial protection in the European Region in the context of universal health coverage and the Sustainable Development Goals

Department of Health Systems Governance and Financing, WHO headquarters, in collaboration with the WHO Regional Office for Europe

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Contents

1 What is the purpose of this consultation?

This briefing sets out how the World Health Organization (WHO) provides support to Member States of the European Region to monitor financial protection in the context of universal health coverage (UHC) and the Sustainable Development Goals (SDGs).

The purpose of this consultation is to inform Member States about WHO's efforts to support the monitoring of financial protection at a global, regional and country level and to obtain feedback on our work.

We ask you to review the information set out in this briefing and to check the country estimates provided in the accompanying excel file. Please let us know if:

- you have **comments** on the financial protection methods, data sources and estimates set out in this country consultation

- **more recent data or alternative data sources** are available for your country; the data sources used by WHO to prepare estimates for your country are given in the accompanying excel file

- you have a **national framework for monitoring financial protection**; some countries have defined their own set of indicators to monitor progress towards universal health coverage (with or without the support of WHO or other international agencies); knowing what indicators and data sources you are using would give us a better understanding of similarities and differences across Member States and help inform and improve our global and regional monitoring efforts

To produce regional and global estimates – and keep them up to date – requires access to anonymised microdata, usually from household budget surveys.

WHO is available to work more closely with your health ministry and national statistics office (NSO) in data analysis.

If WHO is granted direct access to the data, we can produce regional and global indicators on your behalf. If it is not possible to give WHO direct access to the data but you are able to share a small sample of the data with us, we will prepare STATA codes that you can apply to the full dataset to produce indicators to be shared with us. If WHO is not permitted any access to the data, we can provide you with generic STATA codes that you can tailor to the dataset to produce indicators to be shared with us.

We can also support capacity development by training national experts, where relevant. Please let us know if this is of interest to you.

Please email your feedback to uhc_stats@who.int and euhsf@who.int.

2 Note on key terms used in this document

Household expenditures on health (out-of-pocket payments): Household expenditures on health are also known as out-of-pocket payments. Out-of-pocket payments are formal and informal payments made by people at the time of using any health service provided by any type of provider. They do not include reimbursement by a third party such as the government, a health insurance fund or a private insurance company. For further information see the classification of health care financing schemes in the International Classification for Health Accounts, a collaboration between the OECD, Eurostat and the World Health Organization.

Financial hardship (catastrophic or impoverishing out-of-pocket payments): Out-of-pocket payments result in financial hardship for people when they exceed a pre-defined threshold of a household's budget or capacity to pay. Out-of-pocket payments that lead to financial hardship are characterised as being 'catastrophic' or 'impoverishing'. In the context of the SDGs, catastrophic out-of-pocket payments are referred to as 'large household expenditure on health as a share of total household consumption (or income)'.

Household capacity to pay for health services: This refers to household consumption or income minus an amount to cover basic needs such as food, housing and utilities. Capacity to pay can be defined in different ways.

Poverty line: A poverty line is a level of personal or household income or consumption below which one is classified as poor. Poverty lines can be defined in different ways.

3 What is financial protection?

WHO defines UHC as all people being able to use the quality health services they need without experiencing financial hardship. UHC is included in the SDGs as target 3.8 under goal 3:

- SDG 3: Ensure healthy lives and promote well-being for all at all ages
- Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
- Target 3.8 has two sub-targets: 3.8.1 is an index of essential health services; 3.8.2 focuses on financial protection

Financial protection is central to UHC and a core dimension of health system performance assessment in high-, middle- and low-income countries. High-performing health systems protect all people from experiencing financial hardship when using health services.[1]

Financial hardship is an outcome of having to pay for health services at the point of use, resulting in household expenditures (out-of-pocket payments) that may adversely affect living standards and capacity to pay for basic needs. Out-of-pocket payments may not be a problem if they are small and paid by people who are well off, but even small out-of-pocket payments can cause financial hardship for poor people and those who need to pay on an ongoing basis – for example, to cover the cost of medicines for chronic conditions.

Where financial protection is weak, people may not have enough money for health care or other basic needs such as food and shelter. Weak financial protection undermines access to health care and may lead to further ill health and deprivation.

Monitoring financial protection involves an assessment of the impact of out-of-pocket payments on household finances. Impact is assessed using household survey data to estimate:

- **how much a household spends on health out of pocket in relation to its ability to pay**; out-of-pocket payments that exceed a pre-defined threshold of a household's budget or capacity to pay are considered to be 'catastrophic'
- **a household's position in relation to a pre-defined poverty line before and after spending out of pocket on health**; out-of-pocket payments that push households below (or further below) the poverty line are considered to be 'impoverishing'

[1] Health services are any good or service delivered in the health system, including medicines, medical products and diagnostic tests.

4 What is the basis for WHO support for monitoring financial protection?

Global monitoring

At a global level, WHO support for monitoring financial protection is underpinned by a World Health Assembly resolution on sustainable health financing, universal coverage and social health insurance. WHO and the World Bank are working together on global monitoring of financial protection for the SDGs to create a global database. The United Nations recognizes WHO as the custodian agency for SDG indicator 3.8.2 and the World Bank as co-custodian agency.

Regional monitoring

At a regional level, in addition to the above, WHO support is underpinned by the Tallinn Charter, Health 2020 and resolution EUR/RC65/13 on priorities for health systems strengthening in the WHO European Region 2015–2020, all of which include a commitment to work towards a Europe free of impoverishing payments for health.

Resolution EUR/RC65/R5 calls on WHO to provide member states with tools and support for monitoring financial protection and for policy analysis, development, implementation and evaluation. In response, the WHO Regional Office for Europe is working closely with national experts to prepare estimates that are embedded in country-level policy analysis. The aim of this work is to support policy development through context-specific analysis and carefully tailored policy recommendations at country and regional levels.

5 What indicators is WHO using to monitor financial protection?

In the European Region WHO uses the indicators set out in Table 1.

Table 1 Combined set of global and regional indicators for monitoring financial protection in the European Region

Global indicators (G1-4)	+	Regional indicators (R1-2)
Catastrophic out-of-pocket payments		
Indicator G1: The proportion of the population with large household expenditure on health as a share of total household consumption or income (greater than 10% or 25% of total household consumption or income)		**Indicator R1:** The proportion of households with out-of-pocket payments greater than 40% of household capacity to pay
Impoverishing out-of-pocket payments		
Indicator G2: Changes in the incidence and severity of poverty due to household expenditure on health using an international poverty line of PPP-adjusted USD 1.90 per person per day **Indicator G3:** Changes in the incidence and severity of poverty due to household expenditure on health using an international poverty line of PPP-adjusted USD 3.20 per person per day **Indicator G4:** Changes in the incidence and severity of poverty due to household expenditure on health using a relative poverty line of 60% of median consumption or income per person per day		**Indicator R2:** Risk of poverty due to out-of-pocket payments – the proportion of households further impoverished, impoverished, at risk of impoverishment or not at risk of impoverishment after out-of-pocket payments using a country-specific line based on household spending to meet basic needs (food, housing and utilities)

Note: PPP = purchasing power parity

The methods underpinning these indicators are set out in more detail in the accompanying document (description of methods).

6 How and why do measures of financial protection differ?

Selection of global and regional indicators

Indicators G1, G2, G3 and G4 reflect a commitment to global monitoring. They use global measures so that the performance of member states in the European Region can be more easily compared to the performance of member states in the rest of the world.

Indicator G1 (SDG indicator 3.8.2) was recommended for SDG monitoring following a consultative two-year process led by the Inter-Agency Expert Group on SDG indicators and is expected to be adopted by the UN Statistical Commission in March 2017. It is based on a method set out in Wagstaff A and E van Doorslaer (2003) Catastrophe and impoverishment in paying for health care: with applications to Vietnam 1993–1998. *Health Econ* 12: 921-934.

Indicators G2, G3 and G4 are being used by WHO and the World Bank to demonstrate the interdependency between SDG target 1.1 (the eradication of extreme poverty) and SDG target 3.8 (universal health coverage). These indicators come from a family of poverty measures set out in Foster J, J Greer and E Thorbecke (1984) A class of decomposable poverty measures. *Econometrica* 52 (3): 761-66 and applied to health in the early 2000s by O'Donnell O, E Doorslaer, A Wagstaff and M Lindelow (2008) *Analyzing health equity using household survey data: a guide to techniques and their implementation*. Washington DC: World Bank Publications.

For further information on the global indicators, see:

World Health Organization and International Bank for Reconstruction and Development / The World Bank (2017). Tracking universal health coverage: 2017 global monitoring report.

Wagstaff A, Flores G, Hsu J, Smitz M-F, Chepynoga K, Buisman LR et al (2017). Progress on catastrophic health spending: results for 133 countries. A retrospective observational study. Lancet Global Health.

Wagstaff A, Flores G, Smitz M-F, Hsu J, Chepynoga K, Eozenou P (2017). Progress on impoverishing health spending: results for 122 countries. A retrospective observational study. Lancet Global Health.

Indicators R1 and R2 reflect a commitment to the needs of European member states. They were developed by WHO Europe, at the request of the Regional Director, to meet demand from member states for performance measures more suited to high- and middle-income countries and with a stronger focus on pro-poor policies, in line with Regional Committee resolutions.

The indicators are adapted from the approach set out in Xu K, D Evans, K Kawabata, R Zeramdini, J Klavus and C Murray (2003) Household catastrophic health expenditure: a multicountry analysis. *Lancet* 362: 111–17 and Xu K, D Evans, G Carrin, A Aguilar-Rivera, P Musgrove and T Evans (2007) Protecting households from catastrophic health spending. *Health Affairs* 26(4):972-983. They also draw on elements of the approach set out in Wagstaff A and P Eozenou (2014), *CATA Meets IMPOV: a unified approach to measuring financial protection in health*, Washington DC: World Bank.

For further information on the regional indicators, see:

WHO Regional Office for Europe (2019). Can people afford to pay for health care? New evidence on financial protection in Europe. Copenhagen: WHO Regional Office for Europe.

Cylus J, Thomson S, Evetovits T (2018). Catastrophic health spending in Europe: equity and policy implications of different calculation methods. Bull World Health Organ. 96:599–609.

Thomson S, T Evetovits, J Cylus and M Jakab (2016). Monitoring financial protection to assess progress towards universal health coverage in Europe. *Public Health Panorama* 2(3): 62-71 (available in English and Russian).

Household spending on health in relation to ability to pay: catastrophic out-of-pocket payments

All measures of catastrophic health spending attempt to estimate how much a household spends out of pocket on health *in relation to its ability to pay*.

Measures differ in how they define ability to pay:
- the household's total consumption[2] or income, referred to as its **budget**
- household spending *minus* an amount to cover **basic needs** such as food and shelter

The budget share approach: The budget share approach considers out-of-pocket payments to be catastrophic if they exceed a pre-defined share of a household's total consumption or income (**indicator G1**). The advantage of this approach is its simplicity. The disadvantage is that it treats all households as having the same *proportionate* ability to pay and therefore underestimates financial hardship among poorer households. For example, after spending 25% of its budget on health care, a poor household will have to spend *most, if not all, of what is left on other basic needs*. In contrast, a rich household may have enough left over to meet all its needs, not just its basic needs. Using a lower threshold – 10%, for example – does not address this problem.

The basic needs (capacity to pay) approach: The basic needs approach considers out-of-pocket payments to be catastrophic if they exceed a pre-defined share of a household's consumption minus an amount to cover basic needs. Consumption minus this amount is referred to as a household's capacity to pay for health services.

Measures differ in how they define basic needs – food only vs other necessities too – and in how they calculate the amount to be deducted – a household's *actual spending* on basic needs vs a *standard (normative) amount* that is the same for all households of equivalent size.

WHO and others often use food as a proxy for spending on basic needs. However, food is not always a good proxy for basic needs in high- and middle-income countries – because households and countries tend to spend less, proportionately, on food as they get richer – or in countries with cold climates, where heated shelter is a necessity. Measures based on food alone may therefore underestimate financial hardship in richer countries and among poorer households, as with the budget share approach, especially if the amount deducted reflects a household's actual food consumption rather than a standard amount.

To address these limitations, WHO Europe has developed a measure (**indicator R1**) that uses household spending on housing and utilities (water, gas, electricity and heating) as a proxy for basic needs, in addition to food consumption. Importantly, the measure calculates a standard amount to be deducted from a household's total consumption, reflecting spending on food, housing and utilities among relatively poor households[3] in a given country. This means richer households have to spend a greater share of their

[2] Consumption is often regarded as a more stable indicator of living standards than income, especially in contexts where incomes are irregular or partially in kind.
[3] Households between the 25th and 35th percentiles of the household consumption distribution.

budget on health than poorer households for out-of-pocket payments to qualify as catastrophic, which produces more pro-poor and policy-relevant estimates of financial hardship.

While indicator R1 uses exactly the same survey data as indicator G1, it involves a slightly more complex calculation because it requires analysis of household spending on food, housing and utilities in addition to household spending on health care. However, it is more suited to the policy needs of the high- and middle-income countries of the European Region. The key dimensions of both indicators are set out in Table 2.

Household spending on health in relation to poverty: impoverishing out-of-pocket payments

Measures of impoverishing health spending aim to quantify the impact of out-of-pocket payments on poverty. To do this, they identify the share of the population with total consumption that is initially above the poverty line (non-poor households) who find themselves below the poverty line after paying out of pocket for health (now poor households). These households are referred to as *impoverished* after paying out of pocket.

Measures differ in two main ways:

- the choice of poverty line
- whether they capture the impact of out-of-pocket payments on households living *below* the poverty line, who are *further impoverished* after paying out of pocket

Choice of poverty line: For global monitoring, WHO and the World Bank use three poverty lines selected to enable comparison across all countries (indicators G2, G3, and G4): two international poverty lines based on absolute amounts of spending per person per day (USD 1.90 and USD 3.20, both PPP-adjusted) and a relative poverty line (60% of median consumption or income per person per day). The international poverty lines are likely to result in zero or very low values for many countries in the European Region.

For regional monitoring, WHO is using a country-specific line based on household spending required to meet basic needs (**indicator R2**). This basic needs line is derived from spending on food, housing and utilities (water, gas, electricity and heating) among relatively poor households in a given country. It is calculated in the same way as the basic needs used to determine a household's capacity to pay in indicator R1, which measures catastrophic out-of-pocket payments. Using the same line for catastrophic and impoverishing out-of-pocket payments allows us to identify households with catastrophic out-of-pocket payments who are *also* impoverished or further impoverished (see below).

Financial hardship among households living below the poverty line: Indicators G2, G3 and G4 identify the share of the population impoverished after paying out of pocket and measure the severity of poverty by considering how far, on average, people below the poverty line after out-of-pocket payments are from the poverty line. However, they do not identify the share of households with out-of-pocket payments who are already

considered to be poor, even before paying out of pocket for health, or the share of households who come very close to but remain above the poverty line after paying out of pocket.

Indicator R2 assesses where *all* households with out-of-pocket payments stand in relation to the basic needs line.[4] It divides the population into five mutually exclusive categories:

- households who do not incur any out-of-pocket payments at all
- households who are *not at risk of impoverishment* because they do not come close to the basic needs line after paying out of pocket
- households who are *at risk of impoverishment* because they come close to the basic needs line after paying out of pocket
- households who are *impoverished* after paying out of pocket – that is, they do not have enough to meet their basic needs
- households who are *further impoverished* because they are already living below the basic needs line before paying out of pocket

In doing so, indicator R2 is able to highlight people who are rarely visible in conventional approaches to measuring the relationship between poverty and household spending on health: those who are further impoverished, those who are at risk of impoverishment and those who do not spend on health care.

This is important given the emphasis health systems in many countries place on protecting poor households – for example, by exempting them from co-payments for health services. Policy makers will also find it useful to understand how out-of-pocket payments affect a household's risk of not having enough to spend on basic needs.

Similarly, it is useful to highlight households who do not report any out-of-pocket payments. These households may not spend on health care for three reasons:

- they have no need for health care
- they use health services but are exempt from paying for them out-of-pocket because they meet the health system's co-payment exemption criteria
- they are unable to access health services due to financial or non-financial barriers resulting in unmet need for health care

Unfortunately, most of the surveys used to monitor financial protection do not include questions about health service use or unmet need for health care, so it is not usually possible to say whether these households experience unmet need or not. Nevertheless, making them visible allows policy makers to raise questions about the possibility of unmet need, particularly in health systems that do not exempt people from co-payments.

The key dimensions of indicators G2, G3, G4 and R2 are set out in Table 3.

[4] Adjusted for household composition.

Table 2 Key dimensions of indicators used by WHO in the European Region to monitor catastrophic out-of-pocket payments

	Indicator G1	Indicator R1
Definition	The proportion of the population with large household expenditure on health as a share of total household consumption.	The proportion of households with out-of-pocket payments that are greater than a pre-defined threshold of household capacity to pay.
Background	Developed by the World Bank and WHO, proposed for SDG monitoring by WHO and the World Bank and recommended by the Inter-Agency Expert Group as an indicator for SDG target 3.8 in 2016.	Developed and used by WHO Europe in response to demand from Member States for performance measures more suited to high- and middle-income countries and with a stronger focus on pro-poor policies. Builds on an approach developed by WHO and the World Bank.
Numerator	Household expenditure on health (out-of-pocket payments): any expenditure incurred by any household member at the time of use to obtain any type of health care good or service from any type of provider. This includes formal and informal payments but excludes payments that are subsequently reimbursed by government, health insurance funds or private insurers.	
Denominator	Total household consumption: the sum of the monetary value of all items consumed by the household during a given period and the imputed value of items that are not purchased but procured for consumption in other ways. In the absence of information on household consumption, the alternative is household income.	Total household consumption (see indicator G1) minus a standard amount to cover basic needs. Using the same dataset, the standard amount to cover basic needs is calculated as the average amount spent on food, housing (rent) and utilities (water, gas, electricity and heating) by households between the 25th and 35th percentiles of the household consumption distribution, adjusted for household composition.
Thresholds	10% and 25% of total household consumption. All thresholds are arbitrary. The selection here reflects common usage for the budget share approach.	40% of capacity to pay. All thresholds are arbitrary. The selection here reflects common usage for the basic needs approach. We also estimate 20%, 25% and 30% of capacity to pay.
Aggregation and disaggregation	Regional and global aggregates are based on population-weighted median values. Results can be disaggregated into household quintiles by consumption; urban vs rural households; gender and age of the head of the household.	Results are disaggregated into household quintiles by consumption; other disaggregation is possible on a country-by-country basis where relevant to policy.
Data sources and availability	No additional data collection burden for member states. Data come from routine household budget surveys (HBS), household income and expenditure surveys (HIES) or socio-economic or living standards surveys. These surveys are generally carried out at least every five years in EU member states and at least every few years in non-EU countries and are available from national statistical offices.	
Data limitations	Bias due to sampling or non-sampling errors. Not always possible to identify when out-of-pocket expenditure has been reimbursed retrospectively by a third party. Not usually able to capture unmet need for health care. Results may not be consistent with nationally produced consumption aggregates due to variations in standardization processes.	

Table 3 Key dimensions of indicators used by WHO in the European Region to monitor impoverishing out-of-pocket payments

	Indicators G2, G3 and G4	Indicator R2
Definition	Poverty due to household expenditure on health	Risk of poverty due to household expenditure on health
Poverty line	USD 1.90 PPP in local currency per person per day (G2) USD 3.20 PPP in local currency per person per day (G3) 60% of median household total consumption in local currency per person per day (G4)	Basic needs line calculated as the average amount spent on food, housing (rent) and utilities (water, gas, electricity and heating) by households between the 25th and 35th percentiles of the household consumption distribution, adjusted for household composition.
Poverty dimensions captured	Proportion of the population impoverished after out-of-pocket payments (poverty headcount ratio) and severity of poverty (poverty gap) to capture the incidence and depth of poverty.	Proportion of households further impoverished, impoverished, at risk of impoverishment and not at risk of impoverishment after out-of-pocket payments. Households at risk of impoverishment are those that come within 120% (also 105% and 110%) of the basic needs line after out-of-pocket payments.
Data sources	Same as indicators G1 and R1.	Same as indicators G1 and R1.
Background	Developed by the World Bank and used by WHO and the World Bank to demonstrate the interdependency between SDG target 1.1 (the eradication of extreme poverty) and SDG target 3.8 (universal health coverage).	Developed and used by WHO Europe in response to demand from member states for performance measures more suited to high- and middle-income countries and with a stronger focus on pro-poor policies. Builds on approaches developed by WHO, the World Bank and the European Union.

7 How does WHO obtain, analyse and use national data on financial protection?

Data collection

WHO Europe obtains household survey data from national statistical offices directly or indirectly. At a global level, WHO and the World Bank obtain household survey data directly or indirectly from national statistics offices. The World Bank typically receives data directly from national statistics offices, but also uses data received indirectly, such as data from Eurostat and the Luxembourg Income Study.

Data analysis

WHO Europe is analysing household budget survey data in collaboration with national experts using consumption aggregates at the household level supplied by national statistics offices. We are currently analysing data in the following countries: **Albania**, **Austria**, Belgium, **Croatia**, **Cyprus**, **Czechia**, **Estonia**, **France**, **Georgia**, **Germany**, **Greece**, **Hungary**, **Ireland**, **Kyrgyzstan**, **Latvia**, **Lithuania**, the Netherlands, North Macedonia, **Poland**, **Portugal**, the **Republic of Moldova**, **Slovakia**, **Slovenia**, Spain, **Sweden**, Switzerland, **Turkey**, **Ukraine** and **the United Kingdom**. Our aim is to analyse data in all EU Member States by the end of 2020.

At a global level, WHO and the World Bank are working together to jointly review and select estimates. The estimates prepared to date are based on data available to both organizations as of May 2019.

Global and regional estimates are produced using standard categories, definitions and methods to ensure cross-national comparability. The estimates we present may differ from official national estimates for financial protection that use other methods.

Data use

WHO Europe is producing national reports on financial protection in the 29 countries listed above. Our 2019 regional report includes data from the countries highlighted in bold and analysis of policies that strengthen and undermine financial protection. Regional estimates are included in the European Union's State of Health country profiles; the OECD's Health at a Glance reports and policy briefs; and the European Observatory's HiT reports. They will soon be available from the WHO global data portal.

WHO and the World Bank published a global report on UHC in 2017, including data from 46 countries in the region. Global, regional and country estimates are available from the WHO global data portal, the World Bank's data portal and the UNSD's SDG global data portal. WHO and the World Bank will publish another global report in September 2019 and every two years after this.

8 Sources of further information

For clarification or further information on this country consultation, please email uhc_stats@who.int and euhsf@who.int.

See the accompanying document (description of methods) for a more detailed description of the methods underpinning global and regional financial protection indicators.

Find out more about WHO's work on financial protection in the European Region.

Find out more about WHO's work on financial protection at a global level.