

Health and the economy: empowerment through evidence

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Although evidence for the connection between health and the economy is increasing, most countries have still not been able to exploit this link fully by instituting effective public policies. However, the *Report of the Commission on Macroeconomics and Health (CMH)*, released in December 2001, provides governments and citizens alike with an invaluable tool for formulating more effective policies to fortify the myriad complementarities between health and the economy (1).

The CMH stresses that its *Report* focuses on the low-income countries and on the poor in middle-income countries. However, its recommendations are relevant for the health systems of all developing countries. For example, the *Report* calls for key initiatives as part of a new global strategy for investing in health for economic development and presents an action agenda for this purpose. In particular, it recommends a significant increase in the resources spent on health and suggests an increase in budgetary outlays for health in low- and middle-income countries of 1% of gross national product (GNP) by 2007 and of 2% by 2015. This increase must come from domestic spending on health and, in the case of low-income countries, also from greatly expanded donor support. Furthermore, the *Report* finds that while more efficient spending on health is important and can eliminate waste, poverty poses a fundamental constraint on domestic resource mobilization in most poor nations. The recommendation to increase investment in health is an essential input to policy formulation for both ministries of health and of finance. In Mexico, for example, health spending is currently estimated to be 5.6–5.8% of gross domestic product (GDP) (*Programa Nacional de Salud de México 2001-2006*), below the average of 6.1% for Latin America, which includes several countries with much

lower per capita incomes. The Government of Mexico is striving for fiscal reforms that would enable an increase of more than 1% of GDP in government spending on health over the next five years.

Another recommendation of the *Report* is a reduction in out-of-pocket spending on health services and the channelling of community financing into pre-payment schemes. This is based on the substantial theoretical and empirical evidence that out-of-pocket spending is one of the least efficient and most inequitable means of financing health care.³ Again, this recommendation is highly applicable to middle-income countries, where social insurance systems are often present but apply only to formal sector workers. Typically, a substantial proportion of financing for health in such countries is derived from out-of-pocket payments, largely contributed by the uninsured poor, and often leads to impoverishing expenditures that contribute little to better health. In Mexico, for example, more than half of total health expenditure comes from out-of-pocket spending by households. A strategic line of action of the current Government of Mexico has been to increase public outlays for health care and to convert out-of-pocket spending into pooled pre-payments organized via demand-side subsidies through publicly financed health insurance for the uninsured, informal sector workers, and those who have no stable source of income.

The work of the CMH and its six working groups touches on each of the many linkages between health and the economy, many of which have not previously been thoroughly developed in academic or policy work. The areas where the least research is available and where future efforts should focus on are the effect of the health system on economic conditions through trade and the impact of the health system

on the economic system through, for example, health and fiscal policy.

The *Report* calls for the establishment of national CMHs in developing countries that would be chaired jointly by ministers of health and finance. These national bodies would be reinforced by regional counterparts that could foster stronger links between regional health organizations, such as the Pan American Health Organization (PAHO), and regional economic entities, including trading blocks such as the North American Free Trade Association (NAFTA) and Mercado Común del Sur (MERCOSUR), as well as UN economic commissions and development banks. These regional bodies and working groups, in conjunction with national CMHs, could make great strides towards developing effective policies to deal with regional linkages between health and economic development, especially those surrounding trade.

The *Report* stresses that health is an intrinsically valued goal. At the same time, it provides powerful evidence about its instrumental value in furthering economic growth. This conclusion can empower health decision-makers by drawing the attention of economics decision-makers to the linkages between health and the economy. Directing greater political attention and financial resources to health is an overdue requirement for equity and sustainability in our globalized world. ■

Reference

1. *Macroeconomics and health: investing in health for economic development. Report of the Commission on Macroeconomics and Health.* Geneva: World Health Organization; 2001.

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³ Much of this evidence is summarized in: *The world health report 2000 — Health systems: improving performance.* Geneva: World Health Organization; 2000. Ref. No. 01-1639