

More health for your money: potential gains by improving health spending efficiency

By Sebastian Bauhoff (Principal Health Economist, IDB) and Laura Goyeneche (IDB Consultant)

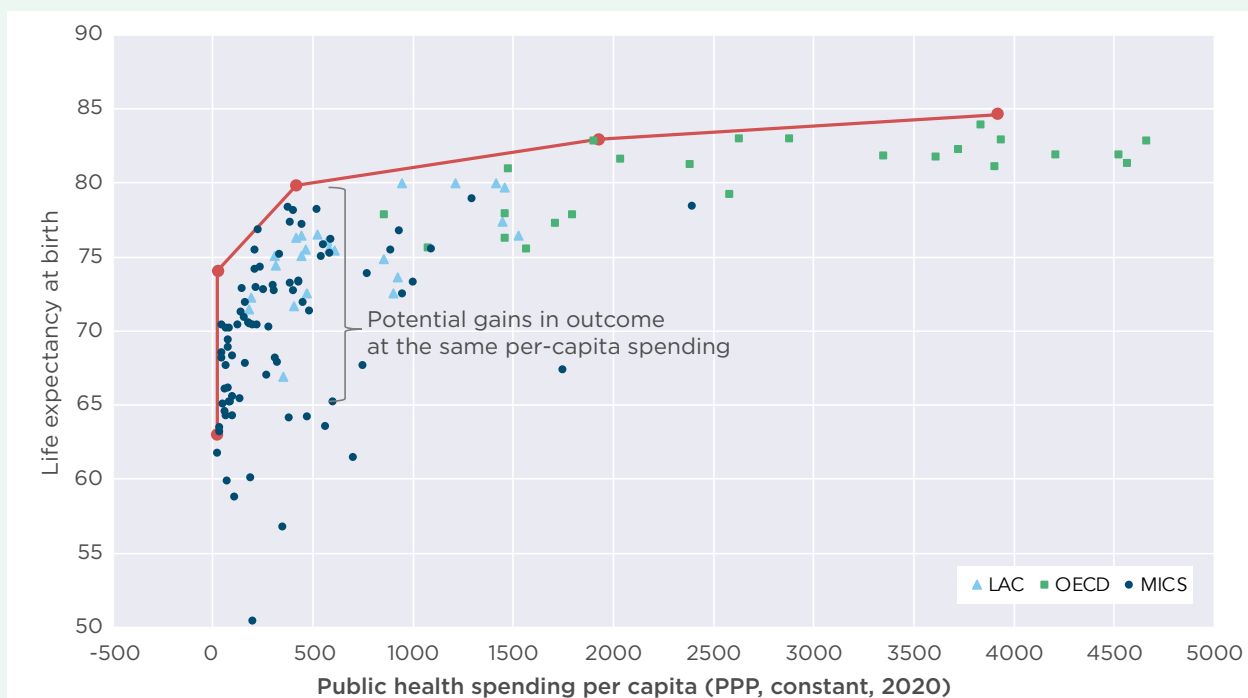


Getting more for our current spending is a smart way to improve health system performance. That rings especially true in the current context: budgets are tight and **health expenditures are projected to increase** by 3% annually in real terms. Increasing the returns to health spending is good for health outcomes and it can support the argument for increasing the relatively low spending on health across the region.

How much could we gain by improving health spending efficiency? We can get a sense of the potential gains by comparing each country against peer countries that have similar per-capita spending, after accounting for contextual factors such as different demographics and overall income levels (Figure 1). At each level of per-capita public health spending, there are some countries that have achieved better outcomes than others. What if these countries performed as well as their best-performing peers?

→ **FIGURE 1**

Life expectancy at birth at different levels of per-capita health spending (2015-2019)



We calculated these “potential gains” for several health system outputs for 2015-2019. Figure 2 shows the results for life expectancy at birth: with higher efficiency, the region could gain about 3.5 years with the same per-capita spending. That is equivalent to a 4.6% improvement. There is some variation across countries, including those that have similar per-capita spending, such as the Dominican Republic, El Salvador and Paraguay.

This does not mean that current spending on health is sufficient or should be reduced. These results do imply that we could achieve more with current spending. On top of this, increased spending in Latin America and the Caribbean

could lead to additional improvements in outcomes. For example, OECD countries spend more and have better outcomes. Also, the **actual gains from improved spending efficiency may be even larger** because the benchmark here is that of the best-performing countries – and even those have room to improve.

The policy challenge, therefore, lies in ensuring that current and future spending are as efficient as possible. What could countries do? The [IDB Smart Spending flagship](#) has many ideas, from prioritizing cost-effective interventions to reducing waste and shifting toward output-based payments.

→ **FIGURE 2**

Potential gains in life expectancy at birth from improving spending efficiency (2015-2019)

