

USAID MEDICINES, TECHNOLOGIES, AND PHARMACEUTICAL SERVICES (MTAPS) PROGRAM

Improved Access. Improved Services. Better Health Outcomes.

Approaches and Tools for Strengthening Pharmaceutical Systems

Pharmaceutical System Financing

Technical Brief | February 2023

Why is strengthening financing of pharmaceuticals important?

The pharmaceutical system is a subsystem of the broader health system (figure 1). As such, strengthening the pharmaceutical system is necessary to strengthen a country's health system. Sustainable and equitable access to effective, safe, quality-assured, and affordable medical products and pharmaceutical services is the central goal of pharmaceutical systems. Strong financing mechanisms are necessary to provide such access and expand health coverage by mobilizing, pooling, allocating, and using pharmaceutical resources in a timely and efficient manner.

Many low- and middle-income countries (LMICs) face the challenge of high costs of medicines further compounded by economic instability, expanding population size, and heavy disease burdens. One key target for intervention is inequitable out-of-pocket expenses on essential medicines by households. In LMICs, less than one-third of pharmaceutical expenditures (PEs) is publicly funded, whereas higher income countries have more of their PEs covered by public budgets (60% is publicly funded). According to the 2017 *Lancet* report on essential medicines and universal health coverage, USD 13–25 per capita or USD 77.4–151.9 billion is needed to finance the basic package of essential medicines across all LMICs.¹

Relying on private households and donor financing in LMICs to cover these expenses is thus neither sustainable nor equitable.

Finance interventions are important to generate the financial evidence needed to stimulate the political will to allocate sufficient resources to health (and medicines, in particular), mobilize resources efficiently, and support necessary system reforms.

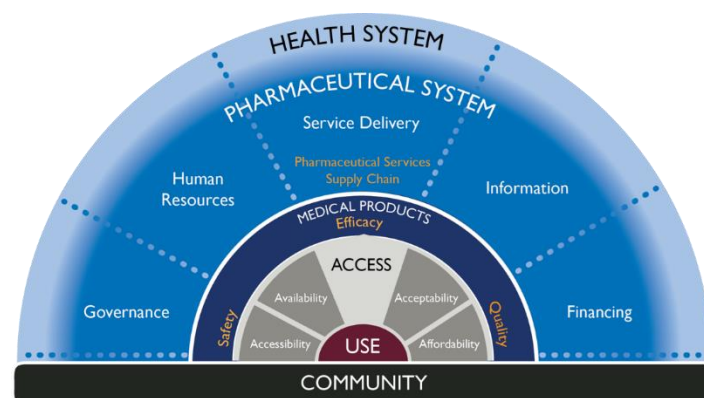


Figure 1. Pharmaceutical system components (from Pharmaceutical Systems Strengthening 101)

In this document, we present approaches and tools that MTaPS has found effective to strengthen pharmaceutical sector financing and describe how other organizations can apply them in their context.

¹ Wirtz VJ, et al. Essential medicines for universal health coverage. *Lancet*. 2017. 389;403-76. [https://doi.org/10.1016/S0140-6736\(16\)31599-9](https://doi.org/10.1016/S0140-6736(16)31599-9)

Approaches and tools to strengthen pharmaceutical system financing

The USAID MTaPS Program employs a systemwide approach across all components of the pharmaceutical system as depicted in figure 1 to help countries achieve their health financing objectives. Key strategies for optimizing pharmaceutical sector financing in LMICs include:

- Aligning pharmaceutical financing strategies with overall health system objectives
- Strengthening countries' systems, including human resources and institutional capacity for efficient and sustainable pharmaceutical resource mobilization, allocation, and use
- Improving the availability and use of evidence-based medicine financing strategies and pharmacy benefit programs
- Implementing viable approaches to reduce financial barriers to access to medicine

MTaPS is applying these strategies in two key interventions: defining an essential pharmaceutical package to support a country's efforts to achieve universal health coverage and increasing the availability of quality data on PEs and the capacity of stakeholders to use such data for financial decision making.

A basic health benefits package (HBP) is a set of health services and medical products that the population is entitled to receive with specified financial protection, whether by public funding or another financial coverage arrangement (e.g., insurance). Defining an HBP helps ensure that a country's resources are leveraged for highly valued services and medical products; coverage is expanded to underserved populations; and explicit entitlements are provided to all beneficiaries.

As a large portion of HBPs and health budgets, pharmaceutical benefit packages require special attention and should be defined in an evidence-based and transparent manner. Pharmaceutical benefit packages should be costed as part of the HBP with the necessary resources to finance their availability.¹ Tracking PEs allows decision makers to understand the supply and demand factors driving pharmaceutical spending within health systems

and enhance LMICs' appropriate use of these limited resources.

Case study on improving pharmaceutical financing decision making

PE tracking in Burkina Faso

MTaPS and the Local Health System Sustainability (LHSS) Project supported Burkina Faso in enhancing their PE tracking methodology for increased accuracy by combining top-down and bottom-up approaches for data gathering, based on the National Health Accounts methodology. Burkina Faso is a low-income country with 40.1% living below the national poverty line and an unequal income distribution across regions. Working with the national procurement and distribution agency (Centrale d'Achat des Médicaments Essentiels Génériques et des Consommables Médicaux), MTaPS and LHSS applied the new methodology to obtain a more detailed analysis of PEs in Burkina Faso.

PE tracking using the updated methodology found that the total PE (TPE) in 2018 exceeded previous estimates for that year by more than two times. It also revealed inefficiencies, such as only 6% of pharmaceuticals procured and consumed in that year being responsible for 80% of the TPE. Capturing data from not only the national level but also district and facility levels allowed more detailed analysis of the geographical distribution and inequities. For example, Mounoun, one of the regions with the highest poverty rate (60%) in the country, accounted for only 7% of TPE (although its population represents 9.3% of the country's population) and lower per capita pharmaceutical spending than the national average. Conversely, the wealthier Centre Nord region (22% poverty rate) represents a similar population size (9.1%), however, it has the highest per capita medicine spending in the country. Data showed that less resources were allocated to poorer regions.

PE tracking improvements also provided a more comprehensive understanding of expenditures by provider types and preliminary data to support continued examination of PE in the context of disease categories as more routine data collection becomes possible. Such information enables decision makers in

Burkina Faso to reprioritize resources according to evidence of how current funding is spent, what types of products are purchased, how it aligns with disease burden, and who benefits from the purchases.

How can organizations apply these approaches?

Below are resources that can equip organizations with the knowledge and tools to improve pharmaceutical financing in local contexts.

Tools

- [Estimating Financial Outlays for a Defined Pharmaceutical Benefits Package](#) (MTaPS 2021): This two-part resource reviews existing tools for estimating financial outlays for a defined pharmaceutical benefits package (part 1) and guidance for estimating expected financial outlays for a defined pharmaceutical benefits package (part 2).
- [Key Steps for Defining Pharmaceutical Benefits Packages](#) (MTaPS 2021): This document provides countries interested in moving toward a well-articulated, evidence-based pharmaceutical benefits package the guidance to define one.
- [OneHealth Tool](#) (United Nations, first released 2012): This tool for planners provides guidance on the required investments in health systems that align with strategic objectives and targets of disease control and prevention programs. It provides a framework for scenario analysis, costing, health impact analysis, budgeting, and financing of strategies for major diseases and health system components.
- [Guide to Tracking Pharmaceutical Expenditures in a Health System](#) (USAID SIAPS 2014): This document provides guidance on establishing a process for systematically and comprehensively tracking PEs.
- [Estimating Pharmaceutical Expenditure Using SHA 2011 Framework](#) (MTaPS and LHSS, forthcoming)

Additional readings and resources

- [Pharmaceutical Expenditure Tracking in Burkina Faso \(2018 Data\)](#) (November 2021)
- [Pharmaceutical Benefits and Benefits Packages in Asia: A Cross-Country Mapping of Coverage Arrangements](#) (January 2021)

e-Learning resources

- [Pharmaceutical Systems Strengthening 101](#) (available in [English](#) and in [French](#)): This course introduces learners to the basic principles of PSS, including how addressing pharmaceutical system problems advances universal health coverage; combats AMR, HIV and AIDS, malaria, tuberculosis, and other public health threats; and promotes maternal and child health.
- [How Good is Your Pharmaceutical Expenditure Data?](#): In this webinar, MTaPS and LHSS convened global- and country-level experts to share insights and lessons on producing PE data and promoting its use for decision making.

Contact

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About USAID MTaPS:

The USAID Medicines, Technologies, and Pharmaceutical Services (MTaPS) Program (2018–2023) enables low- and middle-income countries to strengthen their pharmaceutical systems, which is pivotal to better health outcomes and higher-performing health systems. The program is implemented by a consortium of global and local partners, led by Management Sciences for Health (MSH), a global health nonprofit.



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