There is growing international concern about the problems of access to quality health care faced by the world’s most disadvantaged groups. To achieve universal health coverage, health care financing needs to ensure that contributions to the costs of health care are in proportion to different households’ ability to pay; that the poor are protected from financial shocks associated with severe illness; and that services are accessible. These conditions can only be met if health care planners are well-informed about the current distribution of the benefits of public subsidies (benefit incidence) and the burden of paying for health services (financial incidence). This two-country study will quantify financing and benefit incidence for the health systems of Timor Leste and Fiji.

Rationale and Expected Outcomes

A number of key reforms are about to be implemented in Timor Leste and Fiji, making the timing of this study ideal from a policy-making point of view.

In Timor-Leste, the government is planning to roll out its Basic Services Package (BSP) and Hospital Services Package (HSP) with the explicit aim of achieving universal coverage. At the same time, a national decentralisation policy and decentralisation roadmap is being instituted with the aim of moving government closer to the population. The government is seeking to develop an appropriate health financing mechanism that ties in with its decentralisation initiatives.

In Fiji, the government has endorsed a proposal to increase total government health expenditure to at least 5% of GDP with the express aim of expanding access to quality services. This study will capitalise on a once only opportunity to collect baseline data to enable a prospective before and after evaluation of financing reforms in both countries.
This study will help to address several knowledge gaps. Currently, the equity in both the delivery and the financing of health care has usually been assessed separately. While each component is important, an integrated picture of both elements of the health systems is needed to give a complete picture of health system financing equity. The comprehensiveness of this study will be further strengthened by the inclusion of the impact of the private sector on health care access as it is a significant player in both Fiji and Timor Leste.

**Policy Relevance to Development and DFAT**

The starting point for this study is a concern about the inequalities in access that characterise the health care systems of many low and middle income countries including those of small island states in the Pacific. This research responds directly to the mounting pressure to meet the Millennium Development Goals in the Asia-Pacific region and recognition that evidence-informed, pro-poor health policy is crucial in order to meet such objectives.

The information generated in this study will capitalise on an opportunity to collect baseline evidence that will enable rigorous prospective evaluations to be conducted of much anticipated nation-wide health financing reforms in both countries.

**Capacity Building**

Local collaborators will obtain practical experience in coordinating data collection, analyses of benefit incidence data and in writing up and dissemination. The project will involve seminars with government and other key stakeholders in health care financing policy to inform on the role of financing and benefit incidence analysis as well as the results and implications of the study for health care financing reform.

In addition to skills development, the project will establish a data infrastructure and methodology to conduct future benefit and financing incidence analyses in each country to enable ongoing monitoring and evaluation of current and future financing reforms.

**Research Questions and Methodology**

**Key research questions:**
- Who currently pays and who benefits from health care in Fiji and Timor Leste?
- To what extent are the health financing systems of Fiji and Timor Leste pro-poor?
- How can future health care financing reforms in the Pacific improve equity?

**Methods:**
- Benefit Incidence Analysis (BIA) will be used to assess who (in terms of socio-economic groups) receive what benefit from using health services. It provides a picture of whether a benefit distribution is currently pro-rich or pro-poor based on different indicators of the relative need for health care. Benefits are expressed in monetary terms and are essentially calculated by multiplying utilization rates of different types of health service by their unit costs. BIA addresses two key questions: (i) who (in terms of socio-economic groups) receive what benefit from using health services; and (ii) is this distribution of benefits appropriate, i.e. are benefits distributed in line with needs?
- Financial Incidence Analysis (FIA) will be used to measure the burden of health financing across different socio-economic groups. It assesses which socio-economic groups bear the burden of different aspects of health care financing. This analysis is done in relation to ability to pay (ATP); it compares households with low ATP with those with high ATP in terms of the share of their income (or consumption) they pay towards health care. FIA addresses two key questions: (i) which socio-economic groups bear what burden of funding health services?; and (ii) which health financing strategies place greater burden on the poor (regressive) and which are progressive?
- Incidence analyses require a household survey data set that includes information on socioeconomic status, utilisation and expenditure on different health care providers. Other core data required are the unit costs of different types of health services and the revenue raised through different sources to finance.

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