Overview

Jamaica was included as a case study because it was classified as being moderately exposed to the effects of the economic crisis with a low capacity to respond to the crisis according to the methodology developed by Cord et al., 2010.2

Jamaica’s economy had been deteriorating since 2006, when the GDP growth rate started falling from a high of 2.7% to a negative growth rate of 2.8% in 2009. The debt-to-GDP ratio increased to 132% in 2009. The economic crisis substantially reduced remittances from abroad, which supported up to 90% of daily needs in poorer Jamaican households. Between 2008 and 2009 revenues from trade fell by 60% for alumina and 25% for bauxite. This resulted in unemployment of mining workers who also lost health insurance benefits. The reduction in government budget by 20% across all sectors was an indication that the country was affected by the global economic crisis.

Out-of-pocket spending accounts for 71% of all private spending in Jamaica. In April 2008, the Government abolished user fees that provided 10% of revenues to Regional Health Authorities (RHA). Approximately 20% of the population has access to private health insurance. The National Health Fund (NHF) provides drug subsidies and other forms of direct assistance to beneficiaries. Thus, Jamaica provides an interesting case to examine the effects of the crisis on health spending given the backdrop of high out-of-pocket spending and limited social protection in the health sector.

The Case

A rapid assessment of the impact of the global economic crisis on health spending in Jamaica was conducted between March and June 2010 following a methodology developed for a multi-country study.1 The assessment examined to what extent real public, household, and donor health expenditures changed between pre- and post-crisis periods; the pathways through which changes were affected; and, policies and actions taken by government and stakeholders to possibly mitigate these effects.4 The results below reflect a descriptive comparison of trends before and during the crisis period.

While all sectors experienced a 20% budget cut in 2009/2010, the budget for the Ministry of Health (MOH) increased slightly.

The first indications of the potential impact of the global economic crisis on the Jamaican health sector occurred in 2009, when all ministries were asked to reduce their budgets by 20%. However, the revised MOH budget rose 1.25% in 2009/10, which shows an effort on the part of the Government of Jamaica to support the social sectors during a crisis. Most of this increase came from a 25% increase in the Capital B budget line item (counterpart financing), and a 1.4% rise in the net recurrent line item.5

However, these increases in the MOH budget were offset by significant reductions (41%) in the budget for capital investments (Capital A line item), and marginal reductions to budgets of MOH departments (0.5%). Modifications in

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1 This case study draws from Gordon-Strachan G. and Brenzel L. Rapid Assessment of the Impact of the Economic Crisis on Health Spending in Jamaica. HDNHE, The World Bank. February 2011. The findings, interpretations, and conclusions expressed in this paper are entirely those of the author and should not be attributed to the World Bank, its affiliated organizations, or members of its Board of Executive Directors or the countries they represent.


4 Health expenditures are those related to personal health services, primary health care, hospital services, and priority health, nutrition, and population programs made at various levels of the health system, including the community level. Expenditures for water and sanitation will not be included in this analysis.

5 Total MOH expenditure encompasses recurrent expenditure, expenditure made by departments in the MOH, and Capital A and Capital B components. The Capital A line item includes expenditures related to projects funded by the Government of Jamaica. Capital B refers to expenditures made for projects financed by multilateral/bilateral agencies with counterpart funding from the Government of Jamaica.
the budget were related to the need to create additional fiscal space. To compensate for the reduction in the Capital A budget, the MOH secured funding from the NHF to continue capital works projects.

There is ample evidence that government health expenditures were reduced during the crisis period

In nominal terms, government health expenditures increased by 24% prior to the crisis period (2006/07 to 2008/09), but the rate of increase was significantly lower (3.5%) during the crisis period (2009/10). In real terms, government health expenditures were growing by 19% annually during the pre-crisis period, but experienced negative growth (6.5%) during the crisis period (2009–2010).

Growth in expenditures by major line item was generally higher on average during the pre-crisis compared to the crisis period

Both recurrent and departmental expenditures increased during the pre-crisis period. However, growth slowed substantially for Health Affairs and Services (4% compared to 28%) and recurrent expenditures (4% in the crisis period compared to 24% prior to the crisis).

Capital A expenditures experienced negative growth prior to the crisis (–17%) as budgets were rarely fully disbursed. However, during the crisis period, Capital A expenditures experienced 171% growth.

On the other hand, Capital B expenditures had experienced 20% growth in the period before the crisis. Yet, despite the increase in the Capital B budget, expenditures during the crisis declined by nearly 8%. This suggests that payment of counterpart funding became difficult for the Government of Jamaica during the crisis period.

Health expenditures by Regional Health Authorities also experienced declines during the crisis period

By 2009/10, health expenditures of the RHA amounted to J$ 12.525 billion, up from J$11.105 billion in 2006/07. Real health expenditures were increasing positively (by 10%) in the pre-crisis period, but experienced a negative growth rate (–7%) during the crisis period. Health programs also showed positive growth prior to the crisis, and negative growth of 14.7% during the crisis period.

![Diagram 1: Comparison of Nominal and Real MOH Expenditures (J$ 000s)](image)

Source: Gordon-Strachan and Brenzel, 2011.

<table>
<thead>
<tr>
<th>Line Item</th>
<th>2006/07</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
<th>Pre-Crisis Growth Rate</th>
<th>Crisis Period Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security and Welfare</td>
<td>$53,721</td>
<td>$61,800</td>
<td>$77,295</td>
<td>$87,650</td>
<td>20.1%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Health Affairs and Services</td>
<td>$16,765,195</td>
<td>$17,535,861</td>
<td>$26,082,720</td>
<td>$27,084,730</td>
<td>26.7%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Appropriation in Aid</td>
<td>–$100,000</td>
<td>–$15,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Recurrent</td>
<td>$16,718,916</td>
<td>$17,520,661</td>
<td>$26,160,015</td>
<td>$27,172,380</td>
<td>24.4%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Total MOH Departments</td>
<td>$1,685,393</td>
<td>$1,755,544</td>
<td>$2,348,366</td>
<td>$2,289,042</td>
<td>33.8%</td>
<td>–2.5%</td>
</tr>
<tr>
<td>Total Capital A</td>
<td>$141,550</td>
<td>$149,531</td>
<td>$89,563</td>
<td>$242,296</td>
<td>–17.2%</td>
<td>170.5%</td>
</tr>
<tr>
<td>Total Capital B</td>
<td>$671,230</td>
<td>$855,185</td>
<td>$968,166</td>
<td>$894,627</td>
<td>20.3%</td>
<td>–7.6%</td>
</tr>
<tr>
<td>Subtotal Capital</td>
<td>$812,780</td>
<td>$1,004,716</td>
<td>$1,057,729</td>
<td>$1,136,923</td>
<td>14.4%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Total Provisional Expenditures</td>
<td>$19,217,089</td>
<td>$20,342,921</td>
<td>$29,566,110</td>
<td>$30,598,345</td>
<td>24.0%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Source: Gordon-Strachan and Brenzel, 2011.
Health expenditures also declined for major priority programs during the crisis period

Expenditures for health systems support, family planning, and health systems delivery programs increased during the pre-crisis period. However, during the period 2008/09 to 2009/10, there was a 21% decline in expenditures for health systems support, and 14% declines each for family planning and health systems delivery programs. A decline of 8% in HIV/AIDS expenditures was experienced during the crisis period.

Expenditures for drugs and medical supplies slowed during the crisis period in Jamaica

Regional Health Authorities have increased the amount spent on drugs and medical supplies over time, growing by nearly 400% (396%) in nominal terms and by 247% in real terms in between 2006 and 2008. Increases spending on pharmaceuticals and medical supplies during the crisis period was largely due to a rise in spending in the the most populous South-Eastern RHA.

There is some indication that the government had difficulty accessing foreign exchange and international credit for 2009–2010. The MOH had to negotiate longer payment terms and payment plans with its suppliers as its arrears rose to J$1.8 billion (US$203million) by the end of December 2009.

There is some evidence that the period of the economic crisis was associated with changes in utilization patterns

There was an initial increase in utilization of public sector health care services in 2007 and 2008. However, in 2009, there were declines in the use of services that might have reflected household resources were too constrained to seek care (such as travel cost); and increases in psychiatric admissions that may have been a harbinger of the additional stress placed on families during this economic crisis.

Data for 2009, also, shows an increase in the total number of persons covered by the NHF. However, trends in private health insurance coverage are not known. This study could not confirm the impact of the economic crisis at the household level, due to lack of available information either during or just prior to the economic crisis.

Donor support to the health sector in Jamaica does not appear to have been affected by the economic crisis, probably because programs of support and commitment levels were firm for this period

The main donors to the health sector in Jamaica included multilateral agencies (PAHO, UNICEF, UNAIDS; and the World Bank); bilateral agencies, such as USAID; and global health initiatives (Global Fund for HIV/AIDS, TB, and Malaria). Civil society organizations also played a role in the Jamaican health sector. However, external resources played a limited role (1.8%) in government health expenditures.

Summary

This rapid assessment found evidence that government health expenditures were reduced during the crisis period, particularly for key government programs and for capital expenditures. It was not possible to evaluate the impact of the crisis on household health spending given the short time period (4 months) for this rapid assessment. Donor commitments and spending did not seem to be affected.

In 2009, Jamaica obtained US$ 900 million in loans and US$208.2 million in grants. This was the result of the Government’s aggressive drive to access cheaper loans from multilateral financial institutions to mitigate the effects of the global economic crisis and Jamaica’s sustained poor economic performance of thirty years.

In response to the economic crisis the Government developed its own stimulus package. While the package did not have a direct health component, national health policies, such as the removal of user fees, the expansion of benefits received through the NHF may help to mitigate the impacts of the crisis on health. Given the high out-of-pocket expenditures for Jamaicans, the health system should move towards implementing financial approaches that offer financial risk protection for all Jamaicans.