Catastrophic Expenditure for Health in the Philippines

Catastrophic expenditure occurs when a household allocates more than 40% of its effective, or non-subsistence, income for health expenditures.[1,2] In general, low-income households, those with older persons or persons with disabilities, and families with members requiring healthcare for chronic illnesses are more likely to experience this phenomenon.[3] In the Philippine setting, it has also been suggested that disasters create catastrophic spending situations.[4]

As household incomes are generally fixed, incurring unexpected, large, and/or long-term expenditures typically means either reducing allocation for other expense items (e.g., diminution of the budget for food or shelter) or sourcing funding elsewhere (e.g., incurring substantial debt to bridge the shortfall), and may lead to the impoverishment of the family, particularly for those who are living remarkably close the knife's edge of poverty. Hence, protecting individuals and families from such financial catastrophe has become an important policy objective at the global and domestic levels.[5–7]

Using the 40% non-subsistence income threshold, it has been estimated that the 0.78% (95% uncertainty interval: 0.71 – 0.85) of households in the Philippines experienced catastrophic health expenditure.[1] Meanwhile, using a 25% total household budget as a cut-off point – as measured for the Sustainable Development Goals – would increase the proportion to 1.41% of households.[8] These figures, however, seem to underestimate the actual situation, as shown by related data from the 2018 Family Income and Expenditure Survey and the Philippine National Health Accounts 2014-2019.[9,10] First, households typically spend around 75% of their income, which translates to an average annual savings of about 75,000 pesos. Second, roughly two-thirds (63%) of expenses were allocated for food, shelter, and utilities. In comparison, only 2.7% went to health expenses (or about 6,500 pesos per year for the entire household, using as reference the 239,000 pesos total annual household expenses). Third, the per capita health expenditure in 2019 was estimated at Php 6,662.20 – the bulk of which went to curative care in hospitals – nearly half (47.9%) contributed directly from out-of-pocket. In short, regularly, households allocate only a small amount for health-related expenses but are forced to spend more when presented with conditions requiring more expensive treatment. A separate analysis showed that catastrophic health expenditures were, on average, more than 60,000 pesos annually; medicines and in-patient services accounted for two-thirds of this amount.[11] Given that the net household savings are not substantial, the question arises as to where the difference in funding requirement comes from.

Lasco et al.'s paper in this issue provides an answer in this respect and extends our insight into how individuals and families deal with health expenditures.[12] Drawing on data gathered from 30 focus group discussions participated in by 250 individuals representing different socio-demographic and stakeholder groups, their results offer a human dimension to the processes that families go through as they initially forego help-seeking, owe money, and finally request institutional assistance to finance their health need.

The low incidence of catastrophic health expenditure in the country currently documented by official sources may be attributed to either of two scenarios. The optimistic scenario is that institutional assistance and subsidized healthcare in government facilities can bridge the shortfall in health financing, averting financial catastrophe for the family. Our prior research, however, has shown that such institutional assistance is almost always not sufficient to cover the deficit unless a family is resourceful enough that they can tap multiple providers or donors.[13,14] The alternative is that individuals or families do not go beyond the first stage of *pagtitiis*, so much so that no further treatment can be offered when the individual interfaces with a healthcare provider.

An additional point must be thought-out when considering catastrophic health expenditure. Health needs are fraught with uncertainty, which biases an individual's capacity to adequately prepare, financially or otherwise, for such occurrence. Uncertainty in this sense means that there is a dimension of indeterminacy of a future health state, such as when healthcare professionals discuss the risk of a person suffering complications from a chronic illness.[15] Prior research has shown that accurate risk perceptions are vital in healthcare.[16] Yet, we are well aware that the concept of risk, or chance, is a rather abstract notion that distorts our decision-making processes, especially about things that are unknown, unobserved, or not yet experienced.[17]

The burden, therefore, of preparing for unexpected healthcare expenditure should be shifted from the individual or household through the strengthening of existing social safety nets and reducing the out-of-pocket share in total health expenditure. This will entail additional investments by the government and the social health insurance program and will be among the challenges that the new dispensation will have to consider as we collectively rise from the ravages of the pandemic.

Carl Abelardo T. Antonio, MD, MPH
Department of Health Policy and Administration
College of Public Health
University of the Philippines Manila, Manila, Philippines

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