



Which innovative health financing mechanisms are right for NCDs?

Innovative health financing for NCDs includes a range of options to bridge the gap between the availability of and need for resources.

There are several innovative ways to raise and use funds for health and NCD care beyond traditional government financing. These include health taxes, levies or micro contributions for health, as well as one-off, capital investments like public-private partnerships to support major infrastructure projects. Approaches like these can bring in additional resources, attract private investment—through tools like social impact bonds or volume guarantees—and help achieve specific health outcomes while supporting broader social goals.



Start here:

Which health financing function for NCDs do you want to strengthen?



Choosing the right NCD financing approach means aligning it with your policy goals and timeframes, and ensuring it complements ongoing, routine health financing.



REVENUE MOBILIZATION

Raise funding for NCDs from new sources



POOLING

Equitably collect and distribute health and NCD care resources across the population



STRATEGIC PURCHASING

Efficiently and effectively select which NCD services to buy and from whom



Next:

Which NCD needs can innovative financing address?

Innovative financing mechanisms are often short- to medium-term solutions used in conjunction with routine health system financing. Some fit for purpose examples include:



Finance specialized services

Finance high-cost or specialized NCD services that are not yet covered under the essential package of health services.



Target priority populations

Earmark or target funding to populations often overlooked by the routine health system, such as those in remote areas or with specialized needs.



Pilot & scale innovations

Provide flexible and protected funding to test and scale up new NCD-related initiatives that may later be transitioned to routine health financing.



Fund capital investments

Fund start-up costs for NCD services, like cancer treatments, that require large up-front investments in facilities, equipment, or training.



Pay for prevention & promotion activities

Fund public health and NCD interventions, like social and behavior change messaging or education, that require less integration with the routine health financing system.



Sustaining and integrating innovative health financing mechanisms will look different, depending on the type of spending. For recurrent, day-to-day financing, innovative mechanisms may be integrated into the respective health system financing functions. But for capital expenses—the upfront and often significant start-up expenses associated with capacity-enhancing health system investments—require not just funding, but a full ecosystem of support.

For example, the long-term sustainability of a tertiary care facility developed through a public-private partnership will rely on critical facilitating factors, like trained human resources, robust payment models, reliable supply chains, and other essential support coming together.



Finally: Choose your mechanism

The landscape of innovative health financing for NCDs is broad and continually evolving. Here are selected mechanisms that countries have adopted, along with their advantages and limitations*.



Revenue mobilization

Works best for

- ✓ Financing specialized services
- ✓ Piloting & scaling innovations
- ✓ Funding capital investments
- ✓ Paying for prevention & promotion activities

Health taxes

Earmarked taxes on unhealthy products like tobacco, alcohol, or sugar-sweetened beverages.

- + Advantage:** Can help reduce behavioral and environmental risk factors.
- Limitations:**
 - Earmarking funds can fragment health financing and displace funding across health priorities.
 - Revenue from health taxes will decrease as consumption declines, unless adjustments are made.

Industry levies

Earmarked taxes on high-revenue or risk factor associated industries, like oil, gas, or minerals.

- + Advantage:** Can help reduce behavioral and environmental risk factors.
- Limitation:** Introducing taxes on industries may be difficult politically.

Crowdfunding

Raise revenue from a large number of donors each making small contributions, often via the internet.

- + Advantage:** Helps expand market participation and foster project accountability and social engagement.
- Limitation:** May be prone to misuse of funds unless transparency and accountability mechanisms are in place.

Debt swaps

Debt cancellation on the condition that the country invest the canceled amount in the health system and in NCDs.

- + Advantage:** Can help relieve moderate or high debt distress and address short-term liquidity challenges.
- Limitation:** Countries need to carefully evaluate whether the terms of the swap are financially viable and aligned with their national priorities. Countries with unsustainable debt levels may need to consider if a broader debt restructuring is required before a debt swap is appropriate.

*These advantages and limitations are general guidance and can be used as a basis for more tailored feasibility analyses of appropriate health financing mechanisms



Finally: Choose your mechanism



Pooling

Works best for

- ✓ Financing specialized services
- ✓ Targeting priority populations

Trust funds

An earmarked fund with multiple revenue sources that can provide income, short-term credit, or guarantees against loans for health and NCD programs.

- + Advantage:** Can help align and consolidate revenue streams.
- Limitations:**
 - Earmarking funds can fragment health financing and displace funding across health priorities.
 - Takes time and expense to establish and manage. Some countries have spent years establishing such funds, with variable results.

Equity funds

A fund used to subsidize health and NCD care costs for disadvantaged groups.

- + Advantage:** Can help align and consolidate revenue streams.
- Limitation:** Earmarking funds can fragment health financing and displace funding across health priorities.

Micro insurance

Low-cost health insurance for low-income populations.

- + Advantage:** Can help fill gaps in coverage and services for overlooked and impoverished populations.
- Limitation:** May be limited or financially unsustainable if mechanisms do not draw contributions from sufficiently large and diverse populations.

Community-based health insurance

Low-cost health insurance for a specific locality.

- + Advantage:** Can help fill gaps in coverage for overlooked populations and services, particularly for those in underserved areas.
- Limitation:** May be limited or financially unsustainable if mechanisms do not draw contributions from sufficiently large and diverse populations.



Finally: Choose your mechanism



Strategic Purchasing

Works best for

- ✓ Piloting and scaling innovations
- ✓ Supporting priority populations

Impact Bond

Private providers or investors fund health, NCD, or social services and are repaid with interest by donors or government when and if specific results are achieved.

- + Advantage:**
 - Can help hedge investment risks.

- Limitations:**
 - Can be costly and complex to manage, as they require investment in outside evaluators.
 - May not be well-suited for complex target outcomes that cannot be measured with a few simple indicators.

Advance Market Commitment

A purchaser promises to purchase a certain quantity of an NCD medicine or technology once available, encouraging investment and innovation.

- + Advantage:** Can encourage manufacturers to develop or introduce medicines or products that meet the country's specific needs.

- Limitations:**
 - If demand is not estimated carefully, a country risks over- or under-commitment for the product.
 - Once the commitment concludes, the product may require additional financial support to ensure sustainability.

Volume Guarantee

The government or donors promises to routinely purchase a minimum quantity of an NCD product to reduce price and ensure supply.

- + Advantage:** Guaranteeing a set volume of a product can help countries negotiate lower per-unit prices while ensuring a stable supply.

- Limitations:**
 - If demand is not estimated carefully, a country risks over- or under-commitment for the product.
 - Favoring certain suppliers may result in an inadvertent limitation of competition.



Remember

- ☒ Select financing mechanisms that work for your goals, timeframe, and management capacity.
- ☒ Integration of health financing for NCDs for efficiency, equity, and sustainability should be the ultimate goal.
- ☒ Innovative health financing for NCDs is ripe for experimentation. Consider how sandbox policies and piloting can help you identify viable financing solutions and take time to document when you learn.

**These advantages and limitations are general guidance and can be used as a basis for more tailored feasibility analyses of appropriate health financing mechanisms*