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A strategic Approach to Financing Health Expenditure in Grenada in a Post Covid-19 Environment

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Abstract

This research discovered Out-of-Pocket spending by households in Grenada for health care services peaked to 57% of total health care spending in 2019, the highest among Caribbean islands. The living conditions, especially in the rural communities or parishes were acute with unemployment above 30% for women and young persons. Public Sector wages were sticky with little growth due to a wage freeze insisted and instituted by the Government of Grenada as part of a three-year International Monetary Fund (IMF) Structural Adjustment Program instituted in 2014. This very high level of out-of-pocket spending was deemed unsustainable and considered a factor attributing to poverty. Policies and programs designed to alleviate poverty must embrace measures to reduce high out-of-pocket spending by households for health services.

An examination of the macroeconomic framework revealed an economy prior to Covid-19 declared strong by the Government and the IMF with a fiscal primary balance of 6%, Gross Domestic Product (GDP) growth estimated around 3 %, and public debt on a downward trajectory. However, the health system continued to be historically underfunded. The Government of Grenada was spending 8.3% of its budget on the health system, the equivalent to 5 % of GDP. In fact, the Government in its National Sustainable Development Plan (NSDP) 2020 to 2035, admitted that it should be spending in excess of 12 % of its budget if the objective of a healthy population is to be achieved.

The underfunding of the health system by the Government of Grenada with an aging population, death rate associated with non-communicable diseases in excess of 80 % which is very high compared to Latin American & Caribbean countries, created a situation where health services provided were inadequate to meet health needs. The health system exhibited several challenges, most of these challenges were exacerbated by the impact of Covid-19 in 2020. There were shortages of skilled and specialized health personnel, stock out of medicine, minimal costing of health services at public facilities, the perception that all services in the public health facilities are free, and no proper and appropriate billing and admissions system established for public health facilities.

Based on the findings and analysis of the economy and the health system, the strategy proposed to address the high out-of-pocket spending by households for health care and the underfunding of the health system by the Government of Grenada involved a three prong approach. The Government of Grenada must increase its budget for health by increasing the VAT by 2 %, apply the principles of cooperatives to health insurance by promoting the establishment of farmers health insurance scheme. This should be initiated by the only two current major cooperatives, the Grenada Nutmeg Cooperative Association and the Grenada Cooperative Cocoa Association. Finally, the Government should continue its effort to establish a National Health Insurance Scheme, albeit to begin at the first stage with a set of basic health care services. These three recommendations, if implemented together, will significantly increase Government ability to fund the health system and simultaneously reduce household's dependency on out-of-pocket money to take care of their health needs.

Chapter 1: Introduction and Problem Statement

Grenada is 344 square kilometers developing island with a population of 110,000. It is located at Latitude 12.07 degrees north, and longitude 61.40 degrees west makes it the most southern of the

Figure 1: Map of Grenada

windward islands. The State of Grenada comprise three islands: Grenada, Carriacou, and Petite Martinique. Its topography is characterized by mountainous rainforest, coastal mangroves, lowlands, and oceanic coral rings, and a periodically active volcano.

Grenada is a member of the Organization of Eastern Caribbean States (OECS)[1] whose main goal is to foster and develop economic and social integration among its members. Over the last 20 years the goal expanded to include the creation of a single financial and economic space where goods, services, people, and capital move freely among its members. Likewise, all OECS countries adopt a common approach to health, the environment, and other critical sectors such as agriculture and tourism. As a member of the OECS, Grenada benefits from the regional procurement of a list of drugs and medication in ways that keep prices stable and supply reliable.

All OECS countries are members of a bigger group called the Caribbean Community (CARICOM).[2] CARICOM's mandate is "to contribute, in support of Member States, to the improvement of the quality of life of the People of the Community and the development of an innovative and productive society in partnership with institutions and groups working towards

[1] The OECS was created in 1981 and comprise Antigua and Barbuda, St. Kitts and Nevis, Montserrat, Anguilla, British Virgin Islands, Dominica, St. Lucia, St. Vincent and the Grenadines and Grenada.

[2] CARICOM was created on 4 July 1973 with the signing of the Treaty of Chaguaramas. The Treaty was later revised in 2002 to allow for the eventual establishment of a single market and a single economy. Members are OECS countries plus Jamaica, Barbados, Guyana, Trinidad &Tobago, Belize, Suriname, Haiti, Bahamas.

attaining a people-centered, sustainable and internationally competitive Community" (www.caricom.org/Caricom-Secretariat) . More recently, July 2011, Grenada and other CARICOM members created the Caribbean Public Health Agency (CARPHA).[3] Through this Agency, Grenada receives technical assistance to manage communicable and noncommunicable diseases, to be compliant with global health agreements and international health regulations, and the services of its laboratory. Grenada also benefited from the use of CARPHA's laboratory to conduct all PR-Test for the Corona virus during the first two months of the pandemic impacting the island.

Notwithstanding the benefits to health care provided by the OECS and CARICOM, Grenada's health system remains underfunded resulting in occasional shortages of medical supplies and equipment, specialized physicians, nurses, and limited bed capacity at the main hospital. With high poverty rates of 37 % (Kari Consultants 2007/2008), unemployment at double digit, limited activity in the rural economy due to the decline in agricultural production, an aging population, the high cost of health care has become a matter of concern to every Grenadian. Not only is health expensive, but out-of-pocket spending by households is more than 50%. This means that once a household took care of any health issue, little money would be left to purchase other necessities of life creating a potential situation of medical poverty.

The arrival of Covid-19 pushed health and safety to the top of the agenda for policy makers and planners. At the same time finding money to reactivate the economy was a challenge considering the deterioration of all the economic fundamentals. **The underfunding of the health system and the high out-of-pocket spending by households have now become major problems that Grenada cannot continue to ignore but must be attended to as a matter of urgency. This research would examine this problem in the context of the current economic and domestic health realities and propose a strategy going forward for financing health expenditure.** This strategic approach would put more money in the coffers of the Government and reduce the burden of high out-of-pocket spending by households, especially those at the lower end of the social and economic strata of the Grenadian society. Also, another purpose of this approach is the indirect effect on alleviating poverty. The less out-of-pocket spent on medical expenses, the more money can be put towards meeting other basic needs.

Chapter 2: Literature Review

There is extensive literature on the topic of health care financing. The World Health Organization (WHO) in its report on health system financing admonishes countries to raise sufficient resources for health, spend money wisely, promote efficiency and remove waste from the health system. David B Adams and Carissa Ettienne, writing in the editorial of the WHO report on "Health system financing and the path to universal health" noted that the provision of health services cost money and somebody must pay. They argued that any country whether rich or poor must seek to improve their health system by raising sufficient money, pooling and using these funds to manage health risk. Many developing countries in Africa tried various models of financing health care with varying levels of success. Models move from free health care for all to free only at the point of receiving the service known as "Cash and Carry" models. These cash and carry models only made

[3] CARPHA comprises of all members and associates of CARICOM

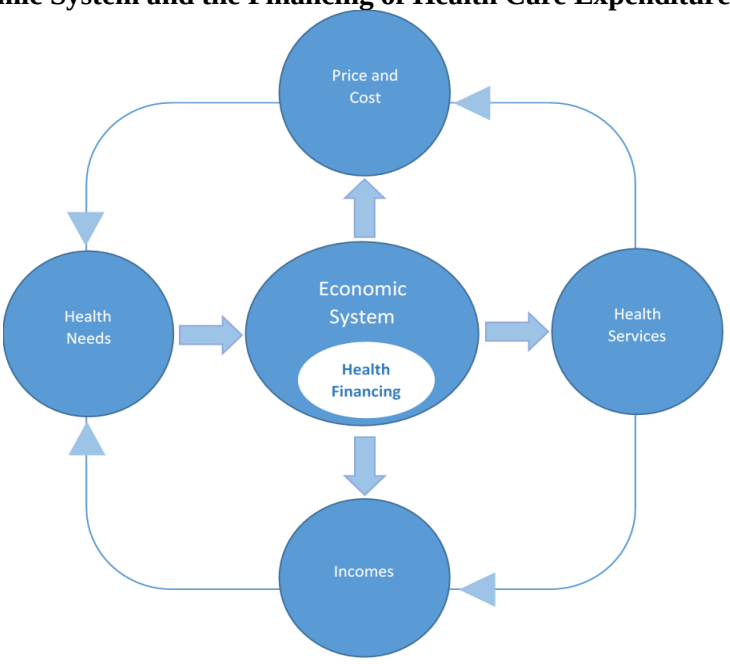
health care accessible to those who can afford it, the poor and vulnerable were left out (Akua Brakatu Ofari-Adjei, December 2007).

Theresa Bain, Mexico City, in her article "Countries test new ways to finance health care" explained why it was important for poor countries to test new ways of financing health expenditure. Bain explained that millions of households ended up in poverty because they had to pay for medical expenses out of their own pockets. She also noted that out-of-pocket payments for health was a contributing factor to persons who received microfinance default on loan payments. In the context of Grenada and other Caribbean islands, other important obligations also suffer resulting in a deterioration of the general wellbeing of the population.

Chapter 3: Methodology and Approach

Health systems and policies do not operate in a vacuum. They are determined by factors relating to the political, economic, demographic, and epidemiological environments. Health financing on the other hand point to mainly issues that are economic. The model adopted in this research closely follows the model conceptualized by Karl Theodore[4] in explaining the relationship between the economic system and the financing of health care expenditure.

Figure 2: The Economic System and the Financing of Health Care Expenditure



The economic system is affected by prices and cost and these determine the extent to which individuals access and afford health services. Income is another determinant of the economic system and influences the quantity and quality of health care services produced. Health financing configuration which consist mainly of tax revenue, health insurance, and out-of-pocket payments, empowers the health system to seek a good fit between health needs and health service providers. It is within this context that health financing must be allowed to play a role in achieving equity and efficiency as an objective of the overall health system. It is against theoretical background that in attempting to address the problem of underfunding of the health system and high out-of-

pocket spending by households in Grenada, Chapter 4 was dedicated to an in-depth analysis of the economy and the health system in general. In carrying out this analysis, the impact of Covid-19 was not ignored but was incorporated in the economic analysis.

Chapter 4: Findings and Analysis

Economic Performance and Covid-19 Impact

The economy of Grenada is predominantly broad based, and service driven as indicated in Table 2 representing the contribution of each sector to the GDP. Tourism (Hotels, Restaurant, all other visitor related industries), construction, private education, transportation & communication, retail trade, are the main pillars of the economy. Agriculture and tourism are the main foreign exchange earners. The agricultural sector which used to be the backbone of the economy, now accounts for only 5% on average of the GDP. The shrinking of the agricultural sector over the years was mainly due to the loss of external markets for our major crops, such as banana and nutmeg. It also meant a decline in activity for the rural economy and is still a major contributor to the persistent high levels of poverty that currently exist.

Table 1: Contribution of Gross Domestic Product by Economic Activity in Current Prices in Percentage (%)

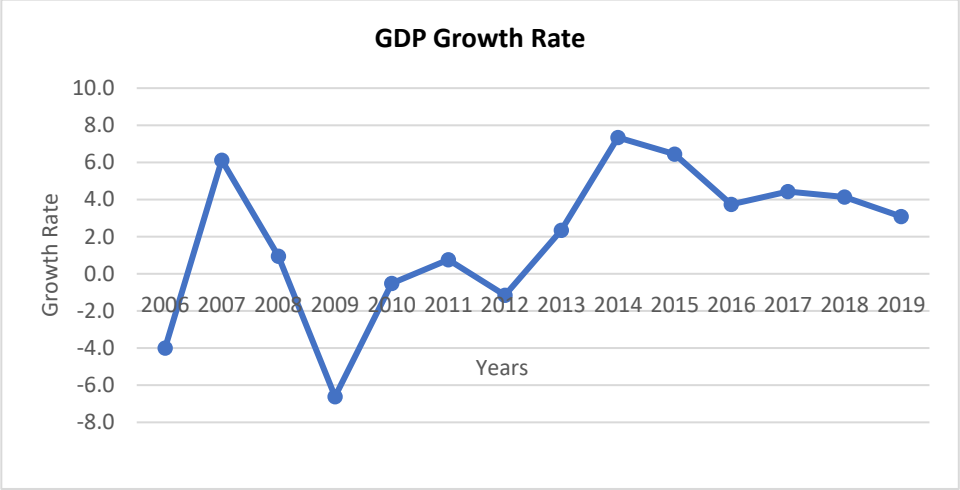
	2013	2014	2015	2016	2017	2018	2019
Agriculture, Livestock and Forestry	4.03	5.68	7.28	5.97	5.06	4.97	5.64
Crops	3.20	4.82	6.51	5.16	4.33	4.24	4.93
Bananas	0.18	0.15	0.17	0.18	0.18	0.13	0.10
Nutmegs	0.38	0.49	0.40	0.32	0.28	0.24	0.25
Other Crops	2.64	4.17	5.93	4.66	3.87	3.87	4.58
Livestock	0.63	0.67	0.59	0.63	0.56	0.55	0.54
Forestry	0.20	0.19	0.18	0.17	0.17	0.17	0.17
Fishing	1.52	1.39	1.40	1.39	1.34	1.34	1.30
Mining & Quarrying	0.26	0.26	0.34	0.24	0.24	0.24	0.23
Manufacturing	3.89	3.96	3.99	3.98	3.67	3.83	3.84
Electricity & Water	4.38	4.30	3.84	3.53	3.20	3.23	3.24
Construction	6.87	6.32	6.22	6.67	8.03	8.85	8.32
Wholesale & Retail Trade	8.01	7.66	7.69	7.21	7.53	7.79	7.84
Hotels & Restaurants	4.10	5.27	6.40	7.90	7.69	7.93	7.73
Transport, Storage and Communications	11.98	11.45	11.81	11.48	11.73	11.90	12.20
Financial Intermediation	6.29	5.74	6.00	6.70	6.21	6.18	6.20
Real Estate, Renting and Business Activities	13.03	12.58	11.55	11.19	10.94	10.94	10.63
Public Administration, Defense & Compulsory Social Security	8.86	8.39	7.24	7.07	7.00	6.78	6.60
Education	22.51	22.79	22.43	23.01	23.89	22.66	22.99
Public	4.87	4.69	3.98	3.71	3.83	3.77	3.69
Private	17.64	18.10	18.45	19.29	20.06	18.89	19.30
Health and Social Work	2.61	2.49	2.08	2.05	2.12	2.08	2.03
Other Community, Social & Personal Services	1.79	1.83	1.93	1.95	1.90	1.93	1.91
Activities of Private Households as Employers	0.98	0.91	0.84	0.82	0.79	0.78	0.76
Less: FISIM	1.11	1.01	1.03	1.15	1.35	1.44	1.45
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office, Grenada

The economy experienced continuous growth since 2013 averaging 5% in real terms, notwithstanding the downward growth trajectory since 2015. This growth performance was associated with an International Monetary Fund (IMF) financed and supported Economic Structural Adjustment Program (SAP) (2014 -2017). Those periods of growth were driven by strong performances in the tourism, construction, and private education sectors. Foreign direct investment, through Grenada Citizen by Investment Program (CBI) was the main source of financing for investment both in the public and private sectors.

Table 2: Economic Growth Rate, 2006-2019

Year	Growth Rate
2006	-4.0
2007	6.1
2008	0.9
2009	-6.6
2010	-0.5
2011	0.8
2012	-1.2
2013	2.4
2014	7.3
2015	6.4
2016	3.7
2017	4.4
2018	4.1
2019	3.1

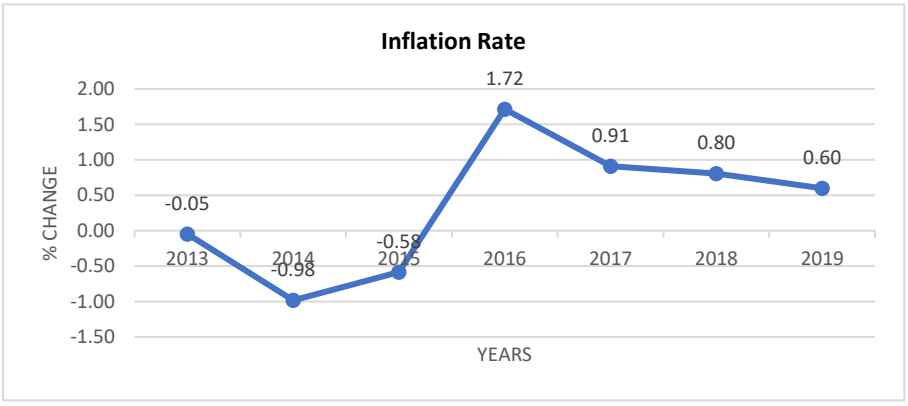


Source: Central Statistical Office, Grenada

The IMF noted in its Article IV Country Report on the Grenadian economy, July 3, 2019, that future economic policies must be growth inclusive, broad based, and recommended measures must be taken to improve labour market and social conditions of the working population. It must be noted that notwithstanding the achievements of economic growth since 2013, the poverty headcount was still estimated at 38% of the population with wages at levels relatively low and below that of other Commonwealth English speaking Caribbean islands.

Table 3: Changes in CPI

Year	% Change to CPI
2013	-0.05
2014	-0.98
2015	-0.58
2016	1.72
2017	0.91
2018	0.80
2019	0.60



Source: Central Statistical Office, Grenada

Inflation as measured by changes in the Consumer Price Index has been relatively low over the period 2013 to 2019 (years not exceeding 1.0 % per annum). The main drivers of inflation have been the prices of imported petroleum products and food prices.

While the data showed very low inflation, consumers in Grenada complained of the high cost of living and relied on the strength of their trade union to continuously pressure employers for higher wages and salaries. During the period of the SAP, wage increase was a sour point as the government pleaded for a wage freeze to allow the SAP to achieve its intended objectives. Employees sacrificed for that cause and to rely on out-of-pocket money to pay for health expenses.

Table 4: Unemployment Rate, 1994-2018

Years	1994	1996	1998	2001	2005	2008	2010	2011	2013	2014	2015	2016	2017	2018
% Change	26.7	17.0	15.2	9.87	18.8	24.9	29.0	26.2	32.2	29.3	29.0	28.2	23.6	20.9

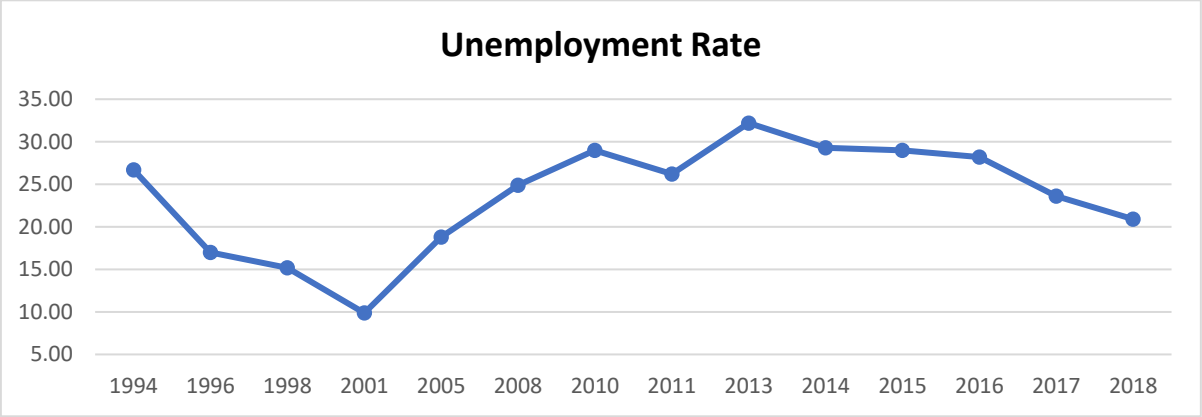


Table 5: Unemployment Rate by type- 2014- 2017

INDICATORS	2014	2015	2016	2017
	%			
	29.3	**29.0**	**28.2**	**23.6**
Male	28.0	26.0	25.6	20.6
Female	30.9	32.3	31.2	26.9
Youth	45.1	41.7	50.4	39.9

Source: Central Statistical Office, Grenada

The restoration of the economy to GDP growth was one of the objectives of the IMF program. This was a necessary ingredient for reducing the high unsustainable unemployment levels. The unemployment rate in 2013 was 32.2%. Thereafter, as expected, with increased economic activity, it fell to 20.9% in 2019. Youth unemployment remains high averaging 44.3% between 2014 and 2017. Reducing the high unemployment rate among young people continues to be of concern to the Government of Grenada. Various employment schemes were implemented to fix this problem, for example, the popular Imai Youth Scheme, with little success. Women who were the de-facto head of the household were more likely to be unemployed than men with unemployment rates for

women averaging over 30 % for the period 2014 to 2017, there are no evidence to suggest rates have declined significantly.

In the context of fiscal management, the Government of Grenada introduced the Fiscal Responsibility Legislations (FRL), No. 29 of 2015. This was done in part to satisfy the conditionality for receiving IMF financial and technical support for its homegrown economic and structural adjustment reform program required to restore fiscal stability and generate positive all-inclusive and resilient economic growth.

Table 6: Fiscal Rules, Section 7 of the FRL

Fiscal Rules	Fiscal Rules Targets
Primary Balance	3.5% of GDP Surplus
Primary Expenditure	Not to exceed 2.0% of Real GDP
Wage Bill/GDP	9% of GDP
Public Debt/GDP	Not to exceed 55%

In compliance with the FRL, Government revenues increased significantly with the imposition of new taxes supported by a strengthening of the Tax Administration. At the same time, the adoption of rules-based expenditure restraint, produced record budget surpluses and facilitated a sharp decline in public debt. The primary balance shot into surplus to 2 % of GDP in 2015 and reached 6.06% by 2019. At the same time, the public debt declined rapidly from 103.7% of GDP in 2013 to 58.92% of GDP by 2019.

Table 7: Fiscal Performance- Primary Balance % of GDP and Debt/GDP Ratio for the period 2103 -2019

Years	Primary Balance After Grants (EC$M)	GDP in Market Prices (EC$M)	Primary Balance as %GDP	Debt to GDP Ratio
2013	-76.98	2275.07	-3.38	103.67
2014	-28.4	2461.04	-1.15	96.88
2015	57.86	2691.92	2.15	88.58
2016	133.82	2866.43	4.67	79.99
2017	172.6	3039.35	5.68	69.72
2018	218.1	3155.48	6.91	66.27
2019	200.92	3316.06	6.06	58.92

Sources: www.eccb-centralbank.org; Central Statistics Office, Grenada

Whilst the fiscal performance was strong since 2015, based on the FRL, public sector wages was capped at less than 9% of GDP. This led to a tense industrial climate as workers fought to bargain for wage increase to cushion the effect of a very high tax burden.

Government officials forecasted in 2020 to the medium term a continuation of strong fiscal and economic performance. In 2020, a primary surplus of 6.1% of GDP and a further reduction in the debt to GDP ratio to 53.7% was anticipated. Supporting this fiscal position was the projected economy growth of 3.8% driven mainly by foreign direct investment in construction and tourism with unemployment continuing its downward trend, hopefully, to single digit. Inflation was projected not to exceed 1.0%

Table 8: Medium Economic Projections with Covid-19 Impact

	2020	2020 -Covid-19 Impact	2022-Covid -19 Impact
Real GDP (%)	4.2	(12.9)	2.8
Total Government Expenditure (% of GDP)	24.7	31.3	26.8
Overall Fiscal Balance	4.2	(2.2)	1.6
Primary Balance (% of GDP)	6.1	0.1	3.5
Public Debt (% of GDP)	53.7	58.3	63.7

Source: Draft MTAP-July 1, 2020 Ministry of Finance, Grenada

With the advent of Covid -19 in March and the first person tested positive for the virus, the Government of Grenada responded swiftly by closing its boarders and imposing a 24-hr Curfew. This was an unanticipated shock to the economy. In effect economic activity came to a standstill, except for activities related to the protection and preservation of the health of every citizen.

In July, while restrictions were eased, albeit the Tourism and Hospitality sector still on lockdown, Government officials predicted by the end of 2020, a significant economic decline in GDP of negative 12.9%, and a negative overall fiscal balance of 2.2%. While Government revenues suffered, public health expenditure increased as expected supported by increased donation of medical supplies and equipment from China and other foreign Governments

The Government of Grenada is hopeful that by the year 2022, the country can return to some level of normalcy with economic growth above 2% and with a strengthening of the fiscal balance.

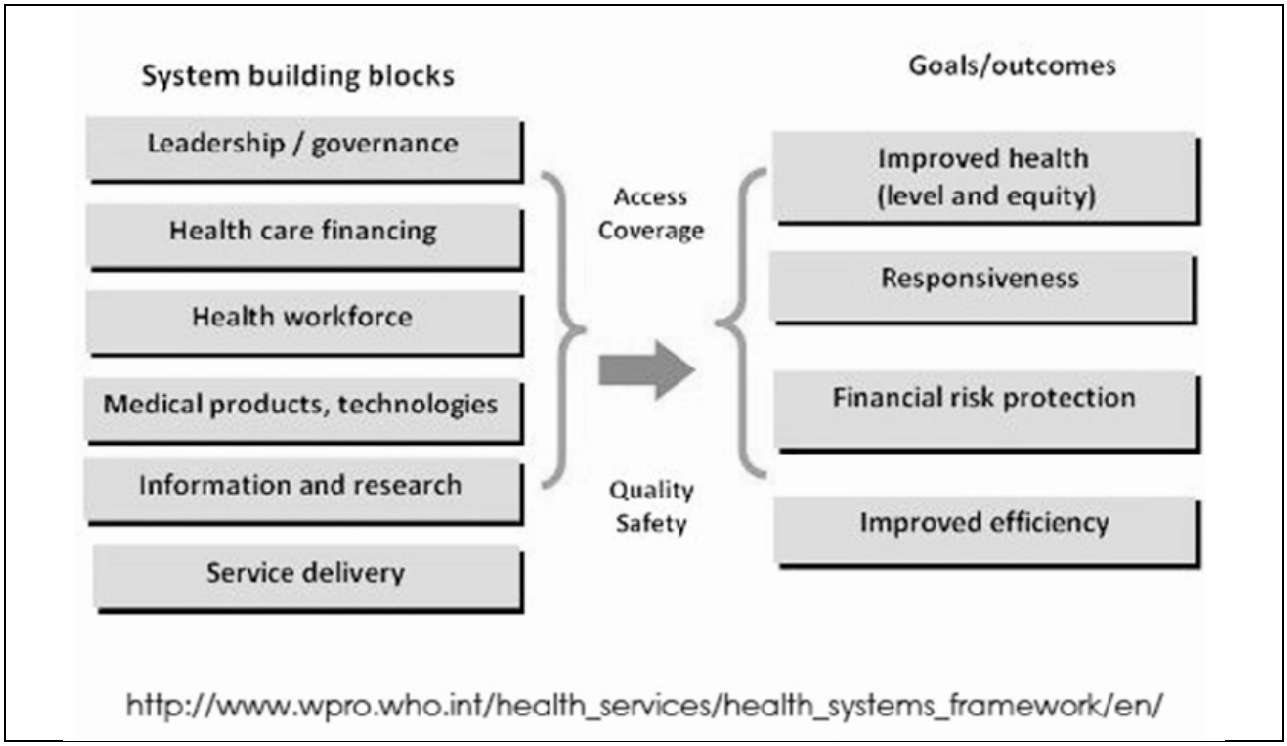
The IMF has also predicted negative growth in 2020 and a deterioration of the fiscal balance for Grenada. Real GDP growth is forecasted to decline by 8% and the government current account balance to significantly decline by 27%(www.imf.org/grenada.). This gloomy macro-economic picture forecasted speaks to unprecedented challenges for the health system and financing health expenditure in particular. The extent to which Grenada can pilot its way through this period, to give hope to its people, depends largely, on an understanding of the realities of health system, and then take the bold step to recalibrate and restructure its health financing mechanisms.

Grenada Health System

A health system can be defined as "all organizations, people and actions whose primary intent is to promote, restore or maintain health" (WHO 2000). According to the WHO, there should be six (6) interrelated building blocks that identifies a well-functioning health system (Figure 3). These blocks comprised the following:

1. Leadership and governance
2. Health care financing
3. Health workforce
4. Medical products, technologies
5. Information and research
6. Service delivery

Figure 3: WHO six (6) system building blocks and their relationship to the goals/outcomes of the health system.



Access, coverage, quality, and safety with respect to the building blocks will determine the extent to which the goals and objectives of the health systems are met. The health system therefore provides the platform for bridging the gap between health needs, the production and/or supply of health services, and the satisfaction of health needs (Karl Theodore).

According to Brinkerhoft (2008), the State, health providers, and citizens have a responsibility to ensure they collaborate to produce a strong health system. Islam (2007) admonishes these actors to behave in ways that are transparent, accountable, equitable, and responsive to the needs of the general public.

Grenada followed the advice of the WHO and adopted and incorporated the 6 building blocks of a health system in its Health Sector Plan 2015 -2025.

Additionally, Grenada also incorporated within its health system the 10 essential public health services identified by the Center for Disease Control (CDC, USA), which are:

- ✓ Monitor health status to identify and solve community health problems.
- ✓ Diagnose and investigate health problems and health hazards in the community.
- ✓ Inform, educate, and empower people about health issues.
- ✓ Mobilize community partnerships and action to identify and solve health problems.
- ✓ Develop policies and plans that support individual and community health efforts.
- ✓ Enforce laws and regulations that protect health and ensure safety.

- ✓ Link people to needed personal health services and assure the provision of health care when otherwise unavailable.
- ✓ Assure competent public and personal health care workforce.
- ✓ Evaluate effectiveness, accessibility, and quality of personal and population-based health services.
- ✓ Research for new insights and innovative solutions to health problems.

Health Infrastructure

The State or the Government of Grenada is the primary provider of health care and manages all the public sector health care facilities. Primary health care is delivered through a network of 30 small medical stations located through the island and within a three miles radius of every household. There are 6 Health Care Centers, and 8 hospitals. Of the eight (8) hospitals, four (4) are public and four (4) private.

Public Hospitals owned and operated by the State comprises:

- ✓ The General Hospital is the main referral hospital with a bed capacity of 198 beds located in the capital city. According to Grenada Health Sector Plan, there is an overutilization of the hospital services for primary health care. General occupancy at General Hospital for 2013 and 2014 were 68.1% and 68.7% respectively. Chronic Non-Communicable Diseases were the most common reasons for admission to the General Hospital.
- ✓ The Princess Alice Hospital located in the rural part of Grenada with a capacity of 48 beds.
- ✓ The Princess Royal Hospital located in the island of Carriacou with a bed capacity of 45.
- ✓ Mt. Gay Psychiatric Hospital located in St. George's, Grenada with a bed capacity of 80. Major challenges exist at this hospital includes:
    - ➢ Overcrowding
    - ➢ Stigma and Discrimination
    - ➢ Insufficient programs for substance abuse prevention
    - ➢ Absence of a facility for treatment of substance abuse
    - ➢ Lack of specialist staff – occupational therapist, psychologist and other support staff to assist in rehabilitation.

Within the private sector, there are approximately 30 private physicians some of whom play a dual role. That is, they work both in the private and public sector.

There are two institutions involved with medical education on the island. T.A. Marryshow Community College where training for nursing assistants and associate degrees in nursing and pharmacology are offered. Over the years sufficient nurses have been trained to meet local needs. However, recently, a significant number of nurses left the island to take up more lucrative jobs in the United Kingdom (U.K.). The Government responded by importing nurses from Cuba to fill the shortage.

The other institution is the St. George's University (SGU) with a medical school that offers bachelor's degrees in nursing and some aspects of medical technology.

Pan American Health Organization (PAHO) is the main international organization that provides short term training in most health-related areas, through courses and seminars are aimed at strengthening and upgrading the skills and competences of health workers.

However, shortages in various specialized areas such as Cardiology, Oncology etc, remains, with the implication that the cost to patients to access these services have been exorbitant. Individuals who have their own resources or medical insurance would travel overseas for treatment. Those without that kind of support would rely on underfunded Government facilities and programs where health protection and security are not guaranteed.

There is a small number of private medical insurance companies in Grenada. Only about 9 % of the population has medical insurance. Some large companies in various sectors of the economy provide health insurance to their employees.

Many civil society organizations and other non-profit organizations are very active in the health system. They assist with health promotion, education, and contribute to health policy formulation. For example, the National AIDS Council (NAC) of Grenada is responsible for coordinating oversight, policy making guidance, and accountability for the National HIV/AIDS Program.

Public Private Partnership

The Government of Grenada has a well-established arrangement with St. Georges University and St. Augustine Medical Services & medical laboratory clinics for certain health care services. There is also partnership with associations and Non-Governmental Organizations including the Grenada Diabetic, Kidney and Sickle Cell Foundations, Cancer Society and Friends of the Mentally Ill. These organizations collaborate with medical doctors who assist in the diagnosis and treatment of patients. The result of collaborations usually translates in a reduction in cost to Government for professional services and cost of treatment for these patients. For example, Government gives a subvention to the Kidney foundation which in turn helps subsidize the cost of dialysis treatment for persons in need.

Legal and Regulatory framework

Grenada's Health system is governed by the Constitution of Grenada, a set of legislative International Agreements and Conventions, Public Private Partnership Agreements, collaboration with friendly Governments, and International Organizations. As shown in table 6, some of these legislations are outdated and could hinder effective implementation and compliance with international agreements and conventions.

Table 9: Health Legislations enacted in Grenada

Legislation	Year Enacted
Mental Hospital Act	1885
Medical products Act	1995
Grenada General Hospital (fees) Act	1988
Medical Officers Act	1903
Quarantine Act	1947
Pharmacy Act	1988
Drug Abuse (Prevention and Controls) Act	1992
Public Health Act	1990
Hospital Authority Act	1998
Nurses and Midwives Registration Act	2003
Health Practitioners Act	2010

The Grenada Public Health Act 1990 was inadequate in addressing all health and health related issues associated with the outbreak of Covid-19. In order to protect and preserve health and safety, the Government of Grenada on March 25, 2020, had no choice but with immediate effect introduced the STATUTORY RULES AND ORDERS (SR&O) NO. 13 OF 2020 under Section IV of the Emergency Powers Act, Chapter 88, of the Constitution of Grenada. It was under this SR&O that Health Officials implemented a series of compulsory health protocols to curb and reduce the effect of Covid-19. Failure to comply with this law would attract a fine and, in some instances, time in prison.

Challenges with the health system

The period of "Lock Down" introduced under the Emergency Powers Act in March 2020 opened the eyes of political leaders to the reality that health care and the health of the nation must be at the center of all aspect of nation building and development.

Developing countries like Grenada continues to struggle with trying to get their health care system to meet the needs of its people. In Grenada, this struggle is fought against the existence of several challenges currently within the health system. Some of these challenges were identified in a situational analysis of the health sector in 2015, yet today, health stakeholders are still confronted and battling with these same challenges. Listed below are some of the main challenges faced by the health system in Grenada:

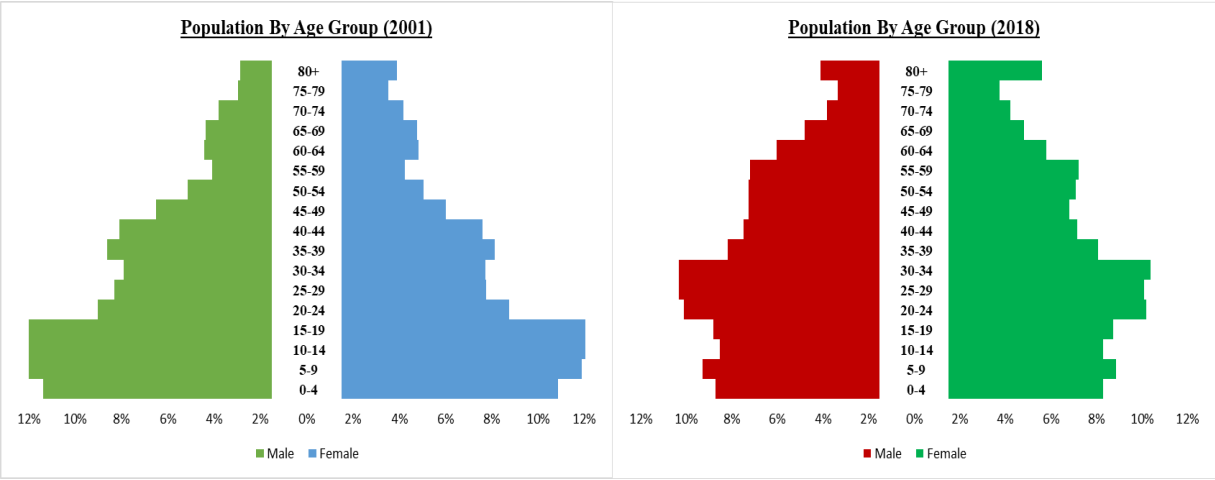
1. Lack of a comprehensive multi-sectoral program that addresses the needs of older persons
2. Lack of attention to the mental health needs of older persons
3. Opening hours at public health facilities are not flexible and convenient
4. Doctors are only present 4-8 hours a week and clinics usually begin very late
5. High degree of physician absenteeism at public health facilities presenting a barrier to access
6. Limited costing of health services at public facilities
7. Perception that all services in the public health facilities are free
8. No proper and appropriate billing and admissions system established for public facilities. For example, a service provided late at night may not be billed due to the absence of the cashier who ends work at 4:00 p.m.

9. No systems in place to collect fees from individuals with health insurance who should pay for services received from a public facility
10. Ad hoc exemption policy. Persons labeled as vulnerable are exempt from user fees
11. Poor Inventory Management
12. No structure to manage procurement in the health sector
13. Weak mechanism to engage donor agencies.
14. Poor physical infrastructure, stock outs of medicines and inadequate equipment and supplies
15. Underutilization of services and equipment in private services while public facilities are faced with overcrowding, over utilization and long waiting times
16. Occasional stock outs of reagents
17. Absence of Rapid Testing
18. Centralized clinic for treatment and care of HIV positive persons resulting in economic burden on patients as well as staff.

Demographic and Health Situation Analysis

Based on estimates obtained from the Central Statistical Office of the Ministry of Finance, Grenada, the population count was placed at 111,495, growing on average by 0.52% annually. This growth is considered very low and well below that of the Latin American and Caribbean countries. Concern has been expressed by the Grenada private sector that the size of the population limits their scale of operation, especially in manufacturing. It is for this reason that CARICOM was established in 1973 to offer a single economy and common market for member countries of the Caribbean community.

Figure 4: Population pyramids for the years 2001 and 2018



Source: Constructed from data obtained from the Central Statistical Office, Grenada.

Table 10: Population by Age-Group by Gender, 2001 and 2018

2001					2018				
Age – Group	**Male**	**Female**	**Total**	**(%)**	**Age - Group**	**Male**	**Female**	**Total**	**(%)**
0-14	16,900	16,574	33,474	32.5	0-14	12,413	11,636	24,049	21.5
15-59	28,890	28,065	56,955	55.2	15-59	35,795	34,575	70,370	62.8
60+	5,590	7,118	12,708	12.3	60+	8,241	9,299	17,540	15.7
Total	51,380	51,757	103,137	100	Total	56,449	55,510	111,959	100

Source: Central Statistical Office, Grenada.

Grenada has an ageing population as demonstrated in Figure 4 and Table 10. Based on the population census in 2001, 12.3% of the population was over 60 years. However, the population estimated officially in 2018 by the Central Statistical Office of Grenada revealed 15.7% over 60 years, much more than 2001.

Population aging most times posed budgetary challenges, especially on health care expenditure. While there is no available data for Grenada, international data suggest that individuals generate greater health-related costs at the end of life than at any other point in their lifespan (Fogel, 2003; Mahal and Berman, 2001). Brimacombe et al. (2001), for example, have suggested that Canadians consume more than 50 percent of their lifetime health expenditures after the age of 65, because of the health needs that are necessitated by the aging process. Similarly, Honjo (2006) notes that elderly patients (aged 65+ years) cost the U.K. health system five times more than those under 65.

Table 11: Demographic Indicators, Grenada and Latin & Caribbean Countries, 2000-2018

Indicator	Country/Region	Grenada	Latin America and the Caribbean	Grenada	Latin America and the Caribbean	Grenada	Latin America and the Caribbean
	Year	**2000**		**2011**		**2018**	
Demographic	Adolescent fertility rate (births/ 1,000 women aged 15-19)	57.7	81.9	40	68.3	28.8	61.3
	Annual population growth rate (%)	0.2	1.4	0.4	1.2	0.5	1
	Births (thousands)	2	11,686.40	2	10,947.50	1.9	10,633.40
	Crude birth rate (1,000 pop)	19.4	23.1	19.5	18.8	18	16.9
	Crude death rate (1,000 pop)	8.2	6.1	7.4	6	7.1	6.2
	Deaths (thousands)	0.8	3,119.50	0.8	3,515.80	0.8	3,940.20
	Life expectancy at birth (years) female	72.6	74.8	75.3	77.7	76.4	79.1
	Life expectancy at birth (years) male	68	68.3	70.5	71.3	71.5	72.8
	Median age (years)	21.8	24.2	25.5	27.8	28.5	30.4
	Total fertility rate (children/ woman)	2.6	2.7	2.2	2.2	2.1	2
	Urban Population (%)	35.7	76.6	35.9	80	36.3	81.9

Source: PLISA Health Information Platform for the Americas (PAHO)
https://www.paho.org/data/index.php/en/indicators/visualization.html

Likewise, the crude birth rate and total fertility rate for Grenada are trending downwards over the last 18 years. A similar trend is observed for Latin American and the Caribbean. Life expectancy

at birth is increasing for both male and female, albeit less than the figure for Latin America and the Caribbean. Increasing life expectancy and falling fertility rates would put upwards pressure on expenditure for health care and pension. Policies makers recognized this reality and the debate started in Grenada in 2020 on increasing the retirement age from 60 years to 65 years and for pension contributions in the immediate future.

Table 12: Morbidity and Mortality Associated with Communicable and Non-Communicable Diseases in Grenada 2005-2017

	2005	2010	2013	2014	2015	2016	2017
Deaths from communicable diseases (percent) total							
Grenada	12.8	11.5	15.1	15.9	13.2	10.7	n/a
Latin America and the Caribbean	15.5	14	13.8	13.6	13.3	13	n/a
Deaths from non-communicable diseases (percent) total							
Grenada	80	83.4	79.2	80.4	80.0	83.5	n/a
Latin America and the Caribbean	71.7	73.3	73.9	74.7	75.3	76.3	n/a
New HIV diagnosis, rate (100,000 population) total							
Grenada	n/a	n/a	n/a	n/a	38.4	28.9	25
Latin America and the Caribbean	n/a	n/a	n/a	n/a	16.4	15.5	n/a
Under-five mortality rate reported (1,000 live births)							
Grenada	n/a	17.3	20.1	14.3	15.5	17.9	10.7
Latin America and the Caribbean	n/a	18.8	16.6	16.6	16.3	15.8	n/a
Breast cancer mortality rate (100,000 population) female							
Grenada	5.9	21.1	26.7	30.2	34.3	43.2	n/a
Latin America and the Caribbean	12.6	13.9	14.7	14.9	15.3	15.5	n/a
Cervical cancer mortality rate (100,000 population) female							
Grenada	11.1	11.6	15.2	3.8	15.1	7.6	n/a
Latin America and the Caribbean	7.4	7.2	7	6.9	6.9	6.3	n/a
Colorectal cancer mortality rate (100,000 population) total							
Grenada	3.1	13.7	9.5	18	15	12.1	n/a
Latin America and the Caribbean	6.7	7.7	8.3	8.8	9	9.2	n/a
Lung cancer mortality rate(100,000 population) total							
Grenada	5.6	8.7	8.5	18.9	7.5	22.5	n/a
Latin America and the Caribbean	11.4	12	12.2	12.5	12.8	12.8	n/a
Prostate cancer mortality rate (100,000 population) total							
Grenada	37.8	75.8	68.7	49.7	60.4	69.2	n/a
Latin America and the Caribbean	14.4	15.8	15.9	15.7	15.6	15.8	n/a
Cerebrovascular diseases mortality rate (100,000 population) total							
Grenada	104.7	82.1	88	94	72.1	65.5	n/a
Latin America and the Caribbean	44.8	45	43.5	42.7	42.8	44.2	n/a
Circulatory diseases mortality rate (100,000 population) total							
Grenada	313.3	84.6	274.7	339	260.1	294.2	n/a
Latin America and the Caribbean	160.6	168.9	167.1	166.7	168.6	175.5	n/a

Source: PLISA Health Information Platform for the Americas (PAHO)
https://www.paho.org/data/index.php/en/indicators/visualization.html

Deaths from non-communicable disease for Grenada for the period 2005 to 2017 averaged 81.1% of total deaths which is above the average for Latin America and the Caribbean of 74.2%. Deaths from communicable disease showed a better picture for Grenada with an average 13.2% of total deaths which is more in line with the Latin America and the Caribbean region.
The leading causes of death in Grenada for the period 2005 to 2017 are cerebrovascular disease,

diabetes, cancer (prostate cancer in men and breast cancer in women), and Circulatory disease. The mortality rates for these diseases in Grenada are above the rates for the Latin American and other Caribbean countries. Based on data available, HIV deaths became a concern to health authorities in 2015 and 2016, but thereafter abated and the Authorities now have it under control. Hypertensive diseases recently caught the attention of health officials as one of the leading causes of death.

Financing Health Expenditure

Health financing is defined by the WHO as the " function of a health system concerned with the mobilization, accumulation and allocation of money to cover the health needs of the people, individually and collectively, in the health system the purpose of health financing is to make funding available, as well as to set the right financial incentives to providers, to ensure that all individuals have access to effective public and personal health care"(WHO 2000). Hsiao was quick to point out that while "money is the mother's milk for health care, it does not automatically produce efficient, equitable, and effective health care. More health spending does not necessarily mean better health outcomes." What is of importance is the method of financing used to achieve the objectives of the health care system.

Most countries utilized the following methods of financing health care:

- Government budget
- social or national insurance
- Private insurance
- patients paying out-of-pocket.

WHO advises Governments that they should spend around 15% of their national budget on health, almost double the 8.30% spent by Grenada in 2019, to achieve the stipulated millennium development goal.

Table 13: Health Expenditure as a percentage (%) of Central Gov't Expenditure 2013 - 2018 for a selected group of CARICOM countries

Country	2013	2014	2015	2016	2017	2018	2019	Average
Antigua	n/a	n/a	9.86	7.80	7.72	8.90	8.09	8.47
Bahamas	n/a	n/a	11.26	11.18	11.50	12.69	12.36	11.80
Dominica	12.89	12.60	12.85	12.32	10.65	11.96	11.84	12.16
Grenada	7.70	6.70	6.60	7.00	7.07	7.40	8.30	7.25
St Kitts/Nevis	n/a	n/a	n/a	9.42	9.46	9.66	8.99	9.38
St. Lucia	10.72	10.74	10.31	10.43	9.57	9.43	9.48	10.10
St. Vincent/ Grenadines	n/a	n/a	n/a	n/a	n/a	9.33	n/a	9.33
Trinidad/Tobago	8.75	6.46	7.43	11.00	9.64	8.94	8.83	8.72

Source: Budget Estimates from CARICOM countries.

In Grenada, a steady increase in health expenditure as a percentage of Central Government Expenditure was observed, 8.3% in 2019 compared to 7.7 % in 2013. Only the Bahamas and Dominica health expenditure are above 10%. The source of spending by the Government of Grenada was generated mainly from tax revenues. Additional revenues were derived from fees

charged for minor and major surgeries, laboratory tests, x-rays, and prescription drugs. However, revenues collected were always inadequate to meet health expenditure and this hindered access and availability of services through public facilities. This situation created a dependency on private providers, domestically, regionally, and internationally, to fill the void.

The Government of Grenada envisaged in its NSDP to increase its spending on health to 20% by the year 2035 to achieve its overall goal of a healthy population.

Table 14: Grenada: Out-of-pocket health expenditure, private health expenditure, and public health expenditure, 2000 to 2015

Grenada Health financing			
Year	**Out-of-pocket expenditure as % of Total health expenditure**	**Private expenditure in health as % of Total Expenditure**	**Public expenditure in health as % of Total Expenditure**
2000	48	64	36
2001	41.2	60.4	39.6
2002	47.2	55.4	44.6
2003	48.2	54.9	45.1
2004	48.4	50.0	50.0
2005	45.4	48.1	51.9
2006	45.1	48.2	51.8
2007	49.4	52.7	47.3
2008	52.1	54.5	45.5
2009	49.6	52.7	47.3
2010	49.9	54.5	45.5
2011	50.4	52.5	47.5
2012	50.3	53.3	46.7
2013	52.2	59.3	40.7
2014	51.1	58.8	41.2
2015	57	59.6	40.4

Source: WHO Data Base, and PLISA Health Information Platform for the Americas (PAHO) https://www.paho.org/data/index.php/en/indicators/visualization.html

However, regular budget shortfalls by the Government with regards to health expenditure created a growing reliance on private sector (employers, insurance, households) spending. Out-of-pocket spending by households which was 48% in 2000, reached 57% by 2015 and is expected to be sustained at that level due to difficulties associated with the macroeconomic environment of the period up to 2019 and beyond. In fact, Grenada is considered to have the highest household s out-of-pocket expense for health care in Latin America and the Caribbean as observed in Table 14. This had created and encouraged inequality and inequity in the society, increased barriers to access health care services by the poor and vulnerable, and increased risk of financial catastrophe and impoverishment for families in accessing healthcare services. The reality in Grenada is that with high poverty levels and high unemployment rates, any spending by households on health care

leaves them on the road to poverty. Likewise, households spending to acquire necessities would leave them medically poor.

Table 15: Current Health expenditure as a % of GDP (2000-2017) for the English-Speaking Caribbean islands

Health Financing				
Country/Region	**Year**	**Out-of-pocket health expenditure as % of total health expenditure**	**Private expenditure in health as % of GDP**	**Public expenditure in health as % of GDP**
Grenada	**2000**	48.0	3.2	1.8
Latin America and the Caribbean		38.3	2.8	2.9
Grenada	**2011**	50.4	3.2	2.7
Latin America and the Caribbean		31.3	3.2	3.3
Grenada	**2015**	57.0	2.8	1.9
Latin America and the Caribbean		28.6	3.8	3.6

Source: PLISA Health Information Platform for the Americas (PAHO)
https://www.paho.org/data/index.php/en/indicators/visualization.html

On average, English Speaking Caribbean Islands spent between 4% and 6 % of their GDP on health care. Grenada spends 5.4 % well within the Caribbean range historically. All these islands are highly indebted with limited fiscal space to increase spending in health without compromising some other critical sector of the economy. Grenada and the rest of the Caribbean islands should be spending in excess of 12% of their GDP on health if the health care needs of its people are to be addressed in a persistent and sustainable manner.

Table 16: English speaking Caribbean islands health care spending as a proportion of GDP, 2000-2017

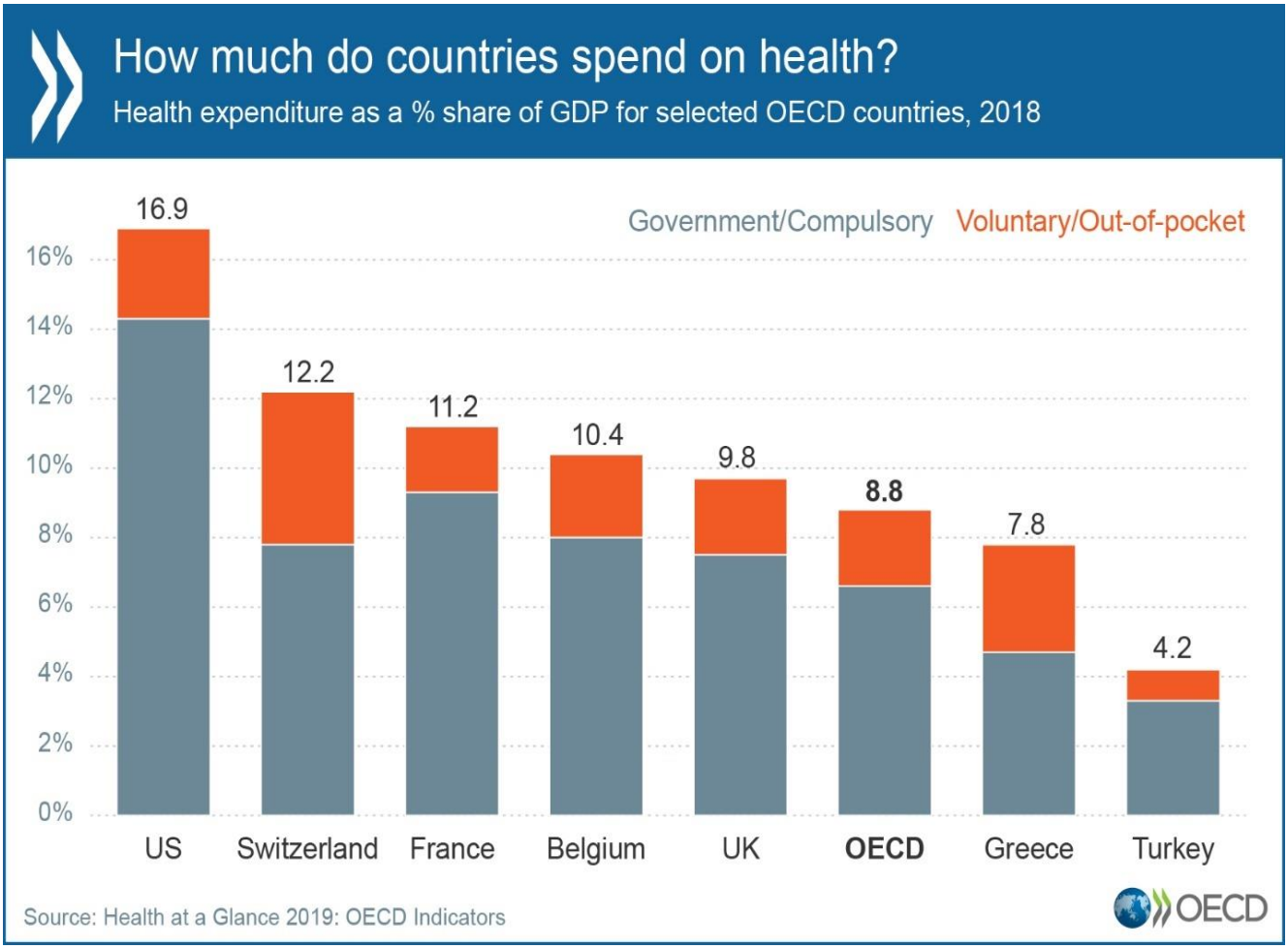
Year	Antigua	Bahamas	Barbados	Dominica	St. Kitts	Grenada	St. Lucia	St. Vincent	Trinidad	Jamaica
2000	4.5	4	5.3	5.2	4.7	5.3	5.4	4.3	4.2	5.8
2001	5.3	4	5.5	5.3	4.2	5.6	5.7	4.3	4	5.3
2002	5.4	4.2	5.9	5.4	4.3	5.9	6	4.3	4.7	4.9
2003	5.8	4.4	6.7	5.3	4.6	5.4	5.9	4.2	4.2	4.6
2004	5.3	4.7	7.3	5.1	4.3	5.3	5.3	4.1	4.3	5.3
2005	5	4.7	6.8	5.2	4.5	5.5	5.4	4	4.4	4.4
2006	4.7	5.4	6.6	5.2	4.9	6	5.7	3.8	4.2	4.5
2007	4.7	5.5	6.1	5.4	4.6	5.9	5.8	4.2	4.2	5.1
2008	4.4	5.8	6.5	5.5	5.2	5.8	5.6	4.1	3.7	5.4
2009	4.4	5.9	7.1	5.6	5.3	6.1	5.7	4.3	5.5	4.8
2010	5.2	5.9	6.8	5.6	5.3	6.2	5.4	4.6	5.1	5
2011	5.3	6	6.9	5.3	5.3	6.2	5.6	4.5	4.7	4.9
2012	5.2	6	7.8	5.8	5.2	5.9	5.6	4.7	4.9	5
2013	5.4	6	7.6	5.3	5.2	5.7	5.8	4.6	5	5.2

2014	5.3	5.9	7.1	5.5	4.8	4.7	4.9	4.4	5.2	5.2
2015	4.7	5.7	6.9	5.4	4.9	4.7	4.8	4.3	6	5.7
2016	4.4	6.1	6.9	5.2	5	4.7	5.2	4.3	6.9	5.7
2017	4.5	5.8	6.8	5.9	5	2.8	4.5	4.5	6.9	6
Average	**5**	**5.3**	**6.7**	**5.4**	**4.9**	**5.4**	**5.5**	**4.3**	**4.9**	**5.2**

Source: WHO Country Data Base, and PLISA Health Information Platform for the Americas (PAHO) https://www.paho.org/data/index.php/en/indicators/visualization.html

To understand the gap or the extent to which Grenada and the other Caribbean islands are underfunding their health system, a look at figure 6 explains how much some OECD countries spent on health in 2018.

Figure 6: Health at a Glance 2019: OECD Indicators



Source: https://www.oecd.org/health/health-spending-set-to-outpace-gdp-growth-to-2030.htm

The United States of America (USA), the largest economy in the world, spent in 2018, 16.9% of its GDP on health followed by Switzerland with 12.2%, while Germany, France, Sweden and Japan all spent close to 11% of GDP. Covid-19 is still on the rampage in the USA and some countries in Europe. The USA had to expend millions of dollars more in containing the spread of the virus and at the same time significantly increasing the allocation of resources to the research effort to find a vaccine.

Chapter 5: The way forward to Financing Health Expenditure in Grenada in a Post Covid-19 Environment

Rationale for the way forward

In this Covid-19 environment, Grenada like the other Caribbean islands is struggling to find additional resources to meet expenditure associated with curbing and containing the spread of the corona virus. The demand for these additional resources is made against an economic climate where the main foreign exchange earner, tourism, has collapsed due to travel restriction in place, and more importantly, reduced government revenue and limited fiscal space to stimulate the economy. The health system is a subset of the economic system. Therefore, in attempting to address the health needs of the population, note must be taken of the economic realities and possibilities which are now exacerbated by the impact of Covid-19. Presently, the Government of Grenada is struggling to meet its international and domestic financial obligations. The health and wellbeing of the nation is now a top priority for scarce resources. No longer can a government continue to underfund the health system. In fact, the strategy and approach to financing the health system must be central to any plan for economic reactivation and recovery. Policy makers and other stakeholders would have to be innovative and creative in finding new ways to finance the health system in the context of the social and economic realities. Failure to seize this opportunity to act now would have long term unintended negative social, political and economic consequences. Health is now perceived as a right and not an option or a privilege.

Health care is costly and developing countries like Grenada must carefully choose its approach and financing methods. The principal objectives must include how to pool and manage health risk, and how to efficiently and equitable distribute the financial burden and health care benefits. In this Covid-19 environment Grenada must revamp and strengthen the financing of its health system so that it makes a positive difference to the poor farmer, to the elderly, to rural communities, to those who consider themselves to be vulnerable, and to every citizen irrespective of their economic status. In other words, a modern health system must be developed where health care is affordable, accessible and meet the needs of the populace with the highest quality and standard. However, to revamp the entire health system is a difficult and expensive exercise. What is critical and most urgent is to design alternative financing methods that would quickly improve access and reduce the cost of health care to every citizen or even breaking the cycle of poverty and poor health. A benefit of this approach is that those who are currently not captured by private health insurance or face with serious constraints in accessing public health facilities, can now easily receive some level of health care.

Government main source of financing health expenditure is tax revenue. In addition to tax revenues, user fees, which are - direct charges to households for health services provided at public facilities, have been another source of financing health expenditure in Grenada. However, there

is no evidence to suggest that these fees have improved equity by attending to the health needs of the poor and vulnerable. What was evident was the gradual increase in user fees, where standard exemption policies made it difficult for the poor and vulnerable to access even basic services at the main hospital in Grenada.

Grenada has not done like other developing states in Africa and tried some very innovative methods, such as, special taxes on cigarettes and tobacco, levy a portion of State Lotteries to a special fund to be used by the Ministry of Health, or debt for health swaps between the Government and private financial organizations.

The strategic approach to financing health care expenditure in Grenada must therefore have as its principal objective to reduce the high out-of-pocket expenditure by households. This would require enhancing Government revenues and introducing other health protection schemes. The combined effect of this approach should reduce the heavy reliance by households on out-of-pocket money to purchase health care services. Therefore, in going forward, the following three methods of financing health expenditure are proposed:

1. The establishment of a Farmers Cooperative Health Insurance Scheme associated with Grenada's main export (nutmeg, mace, cocoa, fruits, vegetables and fish).
2. Increase the allocation of money to the Ministry of Health to 12% of GDP by raising the Value Added Tax (VAT)[4] by 2%.
3. Introduction of National Health Insurance.

Recommendation 1: Farmers' Cooperative Health Insurance Scheme

Like many other businesses, cooperatives exist to serve its members. The members are the owners. They are managed with less overheads since they are not profit seeking. However, they generate surpluses which are reinvested into the business to serve the interest and wellbeing of its members.

Cooperatives globally have adopted 7 core operating principles and values. These include

- Voluntary and open membership
- Democratic control
- Member economic participation
- Autonomy and independence
- Education, training information
- Cooperation among cooperatives
- Concern for community

The idea of a Cooperative providing health protection and health care insurance is not new. This concept was attempted in many states of America with various levels of success, but never applied to small developing countries. The attraction of this concept lies in its ability to reach communities, the informal sector, poor and vulnerable, or any target group. Cooperatives will work well in developing countries where pooling of resources and risk are necessary prerequisites to distribute and share benefits equitable.[4]

[4] VAT was introduced in Grenada in February 2010 as a consume tax on all goods and services

In Grenada, the Authorities are struggling to meet health care expenditure, especially in this Covid-19 environment. Financial assistance from the Donor Community, regional and international partners, and the Grenadian diaspora are declining and not reliable and sustainable. The reliance on taxes as the main source of revenue, in a macroeconomic environment of tight fiscal space, contributes to underfunding of the health system which forced citizens to use out- of -pocket money to take care of their health. One of the group most affective in this scenario would be farmers mainly located in the rural communities and others in the informal sector not having a regular income. Farmers associated with Grenada's main export crops, such as nutmeg, mace, cocoa, are already members of the Grenada Cooperatives Nutmeg Association (GCNA) and the Grenada Cocoa Association (GCA).

These two cooperatives combined have a membership of 12,000 farmers affecting 30,000 families directly or indirectly. Another 5,000 farmers are engaged in fishing fruit and vegetable crops. The cooperatives pay annual bonuses whether there is a surplus. On one hand, farmers are paid weekly for their crops. On the other hand, fishing is seasonal, so farmers get lump sum payments. The entire farming industry contributes 5% of the GDP and generates over $20 million in foreign exchange earnings. The family of these farmers depend on the subsidized public health care system to take care of their health. With 60 years being the average age of a farmer, the cost of health care would be increasing rapidly given the epidemiology trend in Grenada to noncommunicable disease as demonstrated in Table 12. The solution to this problem is to establish a Farmers Cooperative Health Insurance Scheme (FCHIS) under the authority of the Grenada Cooperative Act of Parliament. The founding members of the FCHIS will be the two associations serving as anchor shareholders. The FCHIS would now become an alternative source of financing health expenditure for group of persons who otherwise would not be able to access and afford good quality health care service from either the public or private providers. An immediate benefit to farmers and their families would be the benefit of some form of health care protection.

The initial capitalization of the FCHIS should be done through a lump sum transfer from the budget of the Associations (GCNA and GCA) complemented by a possible financial grant by the Government of Grenada. Most likely the Government would seek financial and technical assistance from one of its development partners since this initiative falls within the goal of achieving universal health care. A key feature of FCHIS that distinguishes it from private health insurance is the acceptance of prepayment or contributions in accordance with the income stream of the farmer or individual. Pooling farmers together would manage risk and lower cost with good management health care and would now become more affordable and accessible.

Once capitalized and functioning, the FCHIS would be regulated by the Grenada Authority for the Regulation of Financial Institutions (**GARFIN)**, which is the body responsible for regulating all non-bank financial institutions, to ensure viability and sustainability. The benefit package offered to farmers should cover basic health care services and upgraded in proportion to the cumulative contributions of the individual farmer.

Recommendation 2: Increase the Ministry of Health's Budget to 12% of Government total recurrent expenditure by raising the Value Added Tax (VAT) by 2%

The Government projected a healthy fiscal position in 2020 expecting to achieve a primary surplus after grants of 6.1% with its Debt to GDP ratio continuing to trend downwards to 53.7%. The forecast for health expenditure as a percentage of total government recurrent expenditure was projected at 7.8%, much less than the 8.2% spent in 2019.

Table 17: VAT and Total Revenue 2019-2019

Year	VAT (million)	Total Revenue (TR)(million)	VAT / TR *100
2018	255.2	782.0	32.6%
2019	249.5	755.9	33.0 %

Source: Government of Grenada: Estimates of Revenue and Expenditure for the year 2020

Under this scenario, Government main source of revenue, VAT, now estimated at 33.0 % of total revenue is projected to incrementally increase to 35.0 % of total revenue in 2020 and in the medium term. Even with this strong fiscal position, financing primary health care and the push towards universal health remain a real struggle and deemed unattainable with many unmet health needs started gaining public attention. The fiscal position subsequently weakened significantly due to the domestic and global economic shutdown (Covid-19 pandemic effect) and the fiscal space achieved previously disappeared.

The presence of the corona virus catapulted the issue of health care as a right of the individual and as an obligation of the State to facilitate and create the conditions for a health system that is affordable, accessible, and can meet health needs. To respond to this health expectation and new health reality, the Authorities would have to increase the share of the Ministry of Health budget from its current 8.0% to at least 12%. With Government now experiencing limited or no fiscal space, a feasible and reliable source to finance this increase health expenditure without jeopardizing other important government financial obligations, is to increase the standard VAT rate from its current 15% to 17% with no change to the VAT exemption regime. This would yield an increase in revenue of $34 million annually. Allocating this amount to the Ministry of Health would raise its share of Government current expenditure to 12%. Since the VAT is deemed to be regressive, any increase beyond 2.0% is not advisable, otherwise the inflationary impact would offset the revenue gains.

Recommendation 3: Introduction of National Health Insurance

There is no national health insurance scheme in Grenada. Instead, there is a mandatory National Insurance Scheme (NIS). NIS emphasis is on old -age pension provision based on employee contributions, disability allowance, funeral grants, survivor's benefit, and employment injury compensation. Injury on the job may be cared for internationally if no care can be found in Grenada.

However, National Health Insurance (NHI) has been discussed with the Grenadian Authority since 2002 and 2007 (PAHO 2002; PAHO 2007), without any serious decision taken. In 2020 a consulting firm, JIPA Networks LLC was contracted by the Government of Grenada to present proposals to established National Health Insurance. The model presented introduced the concepts of Managed Health Care combined with Value Based Health Care and offered a three-tier coverage:

> **Tier 1:** will cover primary health care services for all citizens. It will be financed by the Government of Grenada through an increase in the VAT between one to two percent.
>
> **Tier 2:** will cover more services beyond primary care and would be financed by insurance companies and self-funded employer programs.
>
> **Tier 3:** will cover advanced health care services to be paid by insurance companies and employer programs.

JIPA proposals also envisaged the creation of a private administrative body to implement the model in collaboration with the Government.

The following critique can be offered against this model:

- It was not clear whether Tier 1 was compulsory for all citizens.
- Some services that were free before would now attract a fee for persons at Tier 2.
- The benefit package for persons in Tier 1 were not outlined and was deemed to be unknown.
- The new model proposed would require a remodeling, strengthening, and restructuring of the health system. This would be costly and new laws on various aspects of health care would have to be enacted.
- No clear policy on health care reform was determined at that time by the Government and therefore the model was not precise.
- There is the perception that the model proposed is a disguised approach to privatize the health system.

It is apparent from the criticism of the JIPA proposed model, that stakeholders support including the health authorities would be a challenge, especially as the model was not clear as to the role of health authorities against a private administrative body. This model would fail before implementation as there are no evidence that it is grounded in the economic and health realities.

A more realistic proposal is to introduce an NHI administered by the NIS that provides basic health services to the entire population. The benefit package should be centered around primary, secondary, and tertiary health care services. There must be an arrangement to outsource these services outside of Grenada given the limitations and challenges of the health system. Given the macro-economic and fiscal realities in this period of Covid-19, it is advisable to phase the introduction of the benefit package. This phased approach would facilitate putting in place appropriate revenue measures to finance the increased expenditure expected moving from phase to phase. Public consultation is advisable on this model and should embrace all actors in the health system to produce a realistic NHI that would ultimately increase access to good quality health care at affordable prices and where out-of-pocket expenses by low income households would not have the potential to push them into poverty.

Chapter 6: Conclusion

In conclusion, the economic and health environment in Grenada as were examined revealed an economy prior to the advent of Covid-19 in March 2020 apparently doing well having successfully completed an IMF Structural Adjustment Program in 2018. The Government of Grenada was credited with stabilizing its fiscal accounts and putting its national debt on a downward trajectory. Notwithstanding achievements on the fiscal, yet existed a rigid labor market with high unemployment especially among the youth and women, a health system with its many challenges was starved of resources by the Government being the main provider of primary health care, an aging population, and rising health care cost. Health care expenditure under the scenario just described was financed mainly by out-of-pocket money from households as private insurance was mainly not affordable and government funding inadequate.

To remedy the situation, the strategic approach discussed in chapter 5, charted a way forward where the sources of health care expenditure must be reconstituted and broadened to embrace new revenue streams. The application of the principles of cooperatives to health insurance, raising Government revenue by increasing the VAT, and the introduction of National Health Insurance, if applied together, will change the structure of health financing in Grenada. Eventually, households out-of-pocket spending would no longer be the dominant source of health financing, and the health system would now be functioning more efficiently generating good quality health care services that are affordable and accessible.

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