PACIFIC ISLANDS FORUM SECRETARIAT

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SESSION 2:
PROMOTING SUSTAINABLE DEVELOPMENT IN LARGE OCEAN STATES

ECONOMIC COSTS OF NON-COMMUNICABLE DISEASES

This paper, prepared by the Quintilateral Partners in Health[1], outlines the economic costs of NCDs and some possible interventions for the consideration of Economic Ministers.

[1]The Quintilateral Group includes AusAID, NZ Aid Programme, Secretariat of the Pacific Community (SPC), World Bank and World Health Organisation (WHO).

Session 2

Economic Costs of Non-Communicable Diseases (NCDs)

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Purpose

Recognising the pivotal responsibilities that Finance Ministers have in managing national budgets, this paper prepared by the Quintilateral Partners in Health highlights the important role that FEMM can play in addressing the Non-Communicable Diseases (NCD) crisis in the Pacific region, aided by recent analyses of the cost of NCDs to Pacific Island countries and territories (PICTs).

Background

2. At the 42nd Pacific Islands Forum in Auckland in 2011, Leaders declared *'the Pacific is in an NCD crisis'*. In Annex 2 to the Forum Communiqué, 'Leaders expressed their deep concern that NCDs[2] have reached epidemic proportions in PICTs and have become a *'human, social and economic crisis'* requiring *'an urgent and comprehensive response'*. Forum Leaders recognised the seriousness of the threat that NCDs pose to Pacific Island people and the urgency of addressing it in a comprehensive manner.

3. Following the Forum Leaders' Statement in August 2011, the UN High Level Meeting on NCDs in September 2011 resulted in a political commitment by Heads of State and Government and representatives to:

i. establish/strengthen, by 2013, national multi-sector policies and plans for NCDs, taking into account the Global Strategy for NCDs and its Action Plan;

ii. integrate NCD policies and programmes into health-planning processes and the national development agenda of each member state;

iii. develop national targets and indicators based on guidance provided by the World Health Organisation (WHO) and give greater priority to surveillance;

iv. accelerate implementation of the WHO Framework Convention on Tobacco Control, the Global Strategy on Diet, Physical Activity and Health, and the Global Strategy to Reduce the Harmful Use of Alcohol;

v. strengthen health systems that support primary care, prioritise early detection and treatment, and improve access to affordable essential medicines for NCDs.

4. At the 43rd Forum in Cook Islands in 2012, *'Leaders recognised the increasing and collective efforts to tackle the challenge of NCDs across the Pacific region and called on countries to further intensify their efforts to address NCDs, and for development partners and all stakeholders to upscale efforts and direct resources to augment national and regional efforts to combat the NCD pandemic'*.

5. NCDs pose an almost overwhelming health challenge in PICTs. They are already the leading cause of death in most Pacific Island countries, frequently accounting for approximately 75% of all deaths. For instance, cardiovascular disease has become the leading cause of death and the Pacific now has some of the

[2] NCDs include diabetes, heart diseases including high blood pressure and stroke, cancer and chronic respiratory diseases. The main risk factors for these include tobacco smoking, unhealthy diet, physical inactivity, and alcohol consumption.

highest rates of diabetes in the world. Importantly, at least 25% of NCD deaths are premature in countries such as Tonga, Samoa and Vanuatu, a much higher proportion than in most lower middle income countries.

6. Being obese or overweight are particularly important intermediate risk factors for NCDs. Almost 50% of men and 70% of women are obese in many Pacific countries, with more than 80% of men and 90% of women being overweight in some. Obesity and overweight often start at young ages in many PICTs. **Smoking**, poor **nutrition** (due to changing diets), **alcohol**, and **physical** inactivity ('SNAP') are important additional risk factors for NCDs.

7. NCDs impose huge financial and economic costs on countries. The increase in NCDs has particular relevance for governments, which currently finance most health expenditure. For example, Tonga's national health accounts show that expenditure on NCDs more than trebles as care goes from health centres to the outpatient clinic at the main hospital, and increases nine-fold as treatment moves from outpatient to inpatient care.

8. Estimates derived from the analysis show the high cost of treatment as an NCD progresses to more advanced stages and patients suffer further complications. For instance, the estimated average total cost of dialysis for patients with diabetes-related kidney failure was US$38,686 per patient per year to the Government of Samoa in 2010/2011. While this is less than the cost of sending patients to New Zealand for treatment, the cost to the government is still more than 12 times the per capita gross national income of Samoa. But even low-cost items can pose significant costs for government due to the chronic and long-term nature of certain NCDs. For instance, glucose testing strips for a diabetes patient can cost up to US $164 per patient per year – more than the total per capita government expenditure on health.

9. The social determinants of NCDs, and the underlying risk factors, are the result of multi-sector causes, often beyond the health sector's jurisdiction, yet the responses and costs are borne largely by Ministries of Health. Governments need to increase the resources going into preventing NCDs, but in doing so, they should also be conscious of the challenges of trying to alter people's behaviours. The increase in NCDs has consequences for the overall functioning of health systems, including their ability to respond to the double burden of communicable diseases and NCDs.

Key messages:

10. ***NCDs can impose large health, financial and economic costs on countries***. This is particularly important in the Pacific where governments already finance – and provide – the bulk of health services, while risk factors are feeding a pipeline of potentially expensive-to-treat NCDs, including diabetes and heart disease. From public health and finance perspectives, many NCDs are avoidable, or their health and financial costs can at least be postponed through good primary and secondary prevention. Failure to reduce the burden of NCDs will strain already stretched health budgets and fiscal balances.

11. ***There are implications for Ministers of Finance because governments fund most health care in the Pacific***. The paradox is that government expenditure on health is generally low in absolute terms, but it is high in relative terms compared to other countries with similar income levels. Per capita government expenditure on health in Samoa, Tonga and Vanuatu is at least double that of other lower middle income countries globally, and three times the level when local purchasing power is taken into account, partly reflecting small populations. Governments in the Pacific face the challenge of financing the response to a double burden – an unfinished agenda of addressing communicable and reproductive care needs while also addressing the rising costs of NCDs as populations age. But there are limited prospects for significantly

increasing government expenditure on health, or the share of general government expenditure going to health. In this context, FEMM can play a critical role and use its influence to: (a) promote healthy public policy beyond the health sector; and (b) increase the effectiveness of health spending by improving allocative efficiency, technical efficiency, and equity.

12. ***Ministers of Finance, and Planning, should also be aware of the broader economic implications of NCDs, particularly as they affect working age cohorts*** *(e.g. 40–49 age group)*. NCDs reduce worker productivity and can diminish household savings. They also dilute the potential 'demographic dividend' of a large working age population. For instance, almost half of all deaths (48%) in Tonga, particularly of men, occur below age 64 – the economically active age group – as a result of cardiovascular disease.

13. ***There are prioritised cost-effective interventions for low and middle income countries***. There are many effective interventions for preventing and controlling NCDs. WHO together with the World Economic Forum developed a prioritised list of 'Best Buys' interventions focused on low and middle income countries where resources for health are limited – and in most countries very limited. WHO's 'Best Buys' interventions are based on the current and projected burden of disease, cost-effectiveness, fairness and feasibility of implementing interventions, and political considerations. This set of evidence-based 'best buys' are not only highly cost-effective but also feasible and appropriate to implement within the constraints of local health systems (Annex 1). There are many other interventions that can reduce chronic disease at the population or individual level. While not meeting all 'best buy' criteria, these can still contribute to a comprehensive public health response to the challenge of NCDs.

14. ***There are several strategic options for Ministers of Finance and Health to consider***. Increasing, and then maintaining, the real price of tobacco taxes has a double benefit: it reduces uptake of tobacco while at the same time generating extra revenue for governments. Consideration could also be given to increasing taxes on alcohol and 'junk food' including soft drinks known to be high in sugars, saturated and trans-fats, and/or salt. Improving women's health is valuable in its own right, but can also help break the inter-generational transfer of metabolic risks and NCDs from mother to child. Effective primary and secondary prevention has significant health and financial returns. For instance, every person in Samoa who avoids dialysis saves the government around US $38,700 per year. Similarly, every person in Vanuatu who changes their lifestyle through primary prevention, and successfully avoids becoming a newly diagnosed Type 2 diabetes patient, saves the government a minimum of US $347 per year – more than twice the annual per capita government expenditure on health.

15. While the Pacific is clearly facing an NCD epidemic, in the context of limited resources and a far from finished communicable disease and maternal, neonate and child health agenda, policy advocacy must be handled carefully and strategically. Increased funding for NCDs in PICTs with limited finances may simply lead to increased resources being directed at tertiary care and poorly executed primary prevention, threatening equity and overall public health. The objective is not necessarily to get more funding, but to mobilise political capital through FEMM, and to use this capital to improve health through policy reform and more efficient and effective use of scarce resources. It is important to recognise that the NCD crisis has significant negative impact on population health and Pacific Island economies, and the multi-sectoral causes and risk factors require policy interventions beyond the health sector (although the costs are primarily borne by the health sector). Ministers can influence the policy agenda by demanding more efficient allocation of scarce resources, given the tight fiscal space and support for more targeted interventions that are outside the health sector, such as tobacco taxation and trade issues while demanding full accountability for use of allocated resources, including the use of evidence-based decision making for determining priorities and financing.

NCD prevention and control interventions for consideration by FEMM

16. FEMM is an opportunity to consider a more broad-based approach to addressing the NCD crisis in Pacific Islands. Many of the solutions to preventing or effectively addressing the NCD crisis are outside the health sector. In fact, many prevention strategies are in the domain of Finance Ministers, for instance, the application of taxes to tobacco, alcohol, and foods with very high sugar, salt or fat content. The meeting may also stimulate a discussion on cost-effectiveness in preventative and curative health services, with the specific objective of highlighting the need to achieve the right balance in investments for NCD prevention over treatment. This is an opportunity for a key stakeholder group to discuss the cost-effectiveness and prioritisation of NCD interventions, while helping to prevent a rush to high-cost, low-efficacy and inequitable treatment measures for an issue that will in any case gain increasing political traction and resourcing in the region.

17. Following the World Bank's work on analysing NCD costs, the policy considerations below are relevant to strengthening NCD prevention and control activities in the region:

i. **Agree on an NCD roadmap that includes tobacco control.** FEMM could utilise this approach to promote a broader NCD prevention and control agenda, while taking the opportunity to pursue the specific objective on the WHO Framework Convention on Tobacco Control. The roadmap would include multi-sector action on tobacco, trade issues and the need for improved cost-effectiveness, that is, increasing the fiscal space (or room in the budget) at country level to tackle the NCD burden**.**

ii. **Agree on tobacco taxation and a renewed commitment to implementing the Framework Convention on Tobacco Control.** FEMM could support a broad-based taxation on tobacco products, which would not only raise revenue but at the same time tackle a significant public health threat. Such action would reduce substantially the number of deaths due to NCDs. It would also reduce the ill-health related to NCDs that does not result in death but causes disability, especially in the economically active age group, and undermines economic productivity. Such an initiative is highly relevant to this meeting and provides a concrete objective with a highly positive and monitorable impact on public health.

iii. **Agree on an agenda promoting secondary prevention in addition to primary prevention[3] of NCDs in line with the WHO 'Best Buys'**. The NCD costing analysis indicates this may be the most cost-effective strategy for reducing the overall burden of NCDs.

iv. **Addressing nutrition challenges through dialogue**, specifically around the International Obesity Task Force defined *'export market for NCDs'* (lamb flaps, turkey tails, tinned processed meats, soft drinks, etc.). These food products are among the most important risk factors for NCDs and their effective control is one of the interventions likely to have the highest impact on NCDs. However, addressing this issue would require significant country-level engagement with WTO[4] and would be a major undertaking.

[3] **Primary Prevention** refers to methods to avoid occurrence of disease, while **Secondary Prevention** refers to methods to diagnose and treat existing disease in the early stages to prevent complications or disability.

[4] Note Samoa's accession treaty requires the following: *'Samoa would within 12 months of its accession eliminate the prohibition on the importation and domestic distribution of turkey tails and turkey tail products in Samoa. As transitional measures, a domestic ban on the sale of turkey tails and turkey tail products would be in place and an import duty of 300% would apply to the imports. This is to allow time to develop and implement a nation-wide programme promoting healthier diet and lifestyle choices. After two years, the domestic sale ban would be lifted and the import duty would be reduced to 100% or replaced by another tax regulation or by recommendations from the programme'*. It is understood that a proposed Tongan ban on mutton flaps was rejected on the basis of the WTOs likely response.

18. There is particular merit in starting with the development of the NCD roadmap (para. 17. i.), in that reducing tobacco use, and implementing trade strategies and secondary prevention (use of proven cost-effective treatments) and prevention activities are all high priorities. However, it will be critical to keep any potential 'roadmap' very focused. Further analysis will be required to present FEMM with clear data and to outline the potential gains from each component of a multi-sector response of the type outlined above.

Secretariat of the Pacific Community on behalf of the Quintilateral Partners in Health
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ANNEX I

WORLD HEALTH ORGANISATION 'BEST BUY' INTERVENTIONS

Risk factor/disease	Interventions
Tobacco use	• Tax increases • Smoke-free indoor workplaces and public places • Health information and warnings • Bans on tobacco advertising, promotion and sponsorship
Harmful alcohol use	• Tax increases • Restricted access to retailed alcohol • Bans on alcohol advertising
Unhealthy diet and physical inactivity	• Reduced salt intake in food • Replacement of trans fat with polyunsaturated fat • Public awareness through mass media on diet and physical activity
Cardiovascular disease and diabetes	• Counselling and multi-drug therapy for people with a high risk of developing heart attacks and strokes (including those with established CVD) • Treatment of heart attacks with aspirin
Cancer	• Hepatitis B immunisation to prevent liver cancer (already scaled up) • Screening and treatment of pre-cancerous lesions to prevent cervical cancer

Source: WHO, From Burden to 'Best Buys': Reducing the Economic Impact of Non-Communicable Diseases in Low- and Middle-Income Countries. Report presented to the World Economic Forum, 2011.