



Funding Animal Healthcare Systems: Mechanisms and Options

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EXECUTIVE SUMMARY

Background

According to International Food Policy Research Institute's (IFPRI) estimates, by 2020, developing countries will produce on average 40% more meat and 60% more milk per capita than in the early 1990s ('The livestock revolution'). Such dramatic increases in livestock production have implications for human nutrition, food security and poverty alleviation, environmental sustainability, world trade and food prices, and public health.

As these increases in livestock production will to a large extent be derived from increasing animal numbers and density, it can be foreseen that they will also have implications for animal healthcare (AH) systems, leading to higher demand for preventive and curative services. AH services will need to improve their effectiveness and efficiency to ensure minimum standards for safeguarding international trade, and to contain risks to public health arising from the expected increase in human-animal contact.

Countries which underwent the process of privatisation of veterinary services have seen their, previously frail, allocation of public funds for animal healthcare services further diminished. The foreseen necessity of enhancing the effectiveness and efficiency of AHS calls for an analysis of existing and innovative ways, in which funds in support of these services may be generated. There is, however, an important information deficit on how animal healthcare services are currently financed. Comprehensive information on how funds for animal healthcare systems are collected and managed is scarce and very few analyses have been performed on funding mechanisms and options.

Objectives

The objectives of this study are the fourfold:

1. To describe the functional components of animal healthcare systems, highlighting the inter-relationship between the components.
2. To analyse different mechanisms for raising revenue in support of animal healthcare systems.
3. To assess how the different actors in the animal healthcare field respond to the various funding mechanisms and the impact their response has on the efficacy and efficiency of animal healthcare services.
4. To provide research-based recommendations on possible ways of improving empirical and practical knowledge on the organisation and funding of animal healthcare services.

Conclusions and Recommendations

To objective 1: The functional components influencing the organisation of AHS are (i) financing - including revenue collection, fund pooling and purchasing -, (ii) provision, and (iii) a third category, which includes mechanisms of system integration, non-financial resource generation, governance and external factors.

To objective 2: Four mechanisms to raise revenue for AHS (and their implications in provision) have been identified, which are (i) taxation, (ii) national livestock insurance contributions, (iii) private livestock insurance, and (iv) user charges or out-of-pocket payments. These funding mechanisms are not mutually exclusive. On the contrary, most AHS rely on a mix of them. The way in which these funding mechanisms are combined has different consequences in terms of equity and efficiency.

To objective 3: The actors involved in the animal healthcare context are (i) the stock owner/client, (ii) the AH worker/provider and (iii) the third party payer or purchaser. The potential behavioural responses to different funding options are (i) moral hazard (consumer and provider), (ii) adverse selection and (iii) cream skimming. Each of these arises to different extent under each type of funding mechanism.

To objective 4: The study identifies the need for further research focusing on collection of quantitative data on taxes, fees, charges and contributions collected in different countries. Further, qualitative data on ways in which these funds are channelled through the system is needed. This information is needed to deepen current understanding of the specificities embedded in the animal healthcare service field, which in turn will help improving responsiveness of AHS. In parallel, the needs for AHS for the different users have to be assessed so that funds collected are appropriately and accurately allocated.

The study stresses that for pro-poor animal health services the equity criterion in the implementation is crucial and that therefore the choice of funding mechanisms should be tailored to take into account the most vulnerable segment of the population of livestock keepers.