



# Health Expenditure Shocks Worsened Household Poverty Amidst COVID-19 in Uganda

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## Key messages

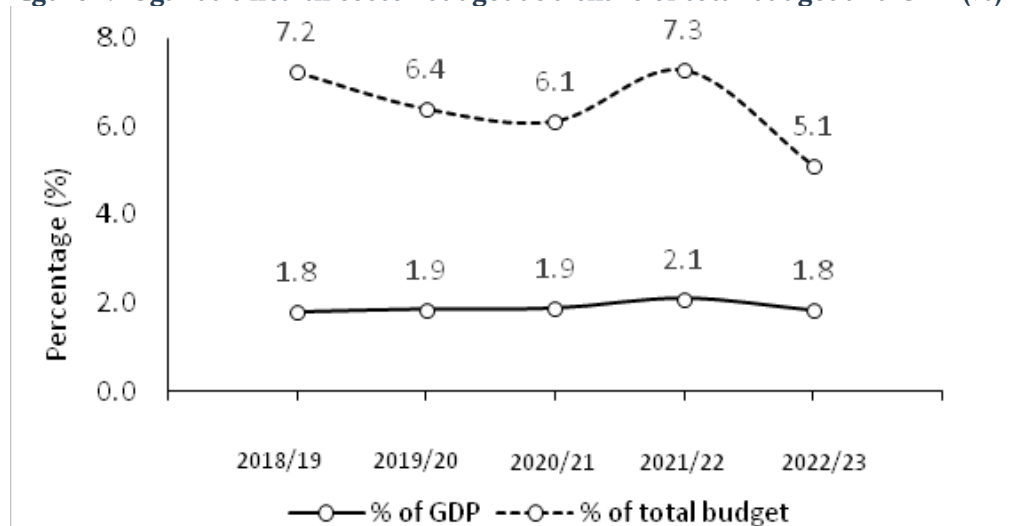
- The incidence and intensity of catastrophic health expenditure among Ugandan households that incur any form of health care expense is worryingly high.
- Amidst the COVID-19 pandemic, many Ugandans were forced to forego and/or substitute medical care for home remedies due to lack of funds.
- Households with members above 65 years of age and those with any member suffering from a non-communicable disease (diabetes, hypertension, heart disease, and cancer) bear the highest burden of health expenses.

- Although visiting a public rather than a private health facility reduces out-of-pocket payments for health by 52 percentage points, majority (71%) of Ugandans visit private facilities for their first consultation whenever they fall sick.
- A 10% increase in out-of-pocket payments for health reduces household food consumption expenditure by 2.6%.

## Context and the problem

Amidst the COVID-19 pandemic a lot changed regarding health care financing, both globally and nationally – in Uganda. Households faced unprecedented economic constraints and were forced to make hard expenditure choices including whether and how to spend on health care. Relatedly, the number of poor Ugandans increased from eight million in 2016/17 to 8.3 million in 2019/20, but it was still not clear how much of this impoverishment can be attributed to health expenditure shocks amidst the pandemic. In addition, Uganda has consistently fallen short on living up to the 2001 Abuja Declaration expectations of allocating at least 15% of her national budget each year to improving the healthcare system. The size of the health sector budget has been less than half of the declaration requirement for the past five years (see Figure 1). More precisely, the health sector budget as a share of the total budget and GDP has averaged 6.4% and 1.9% respectively in the financial years 2018/19 to 2022/23. The absence of a national health insurance scheme implies that a huge health care financing burden, is borne by the households who pay for health care directly by out-of-pocket payments (OOPs).

**Figure 1: Uganda's health sector budget as a share of total budget and GDP (%)**



Source: Authors' construction using Annual Health Sector Performance Reports and National Budget Framework Papers (2018/19 – 2022/23)

Any expenditure for medical treatment that poses a threat to a household's financial ability to maintain its subsistence needs is regarded as a Catastrophic Health Expenditure (CHE). To our knowledge, all the studies that have estimated the extent of the burden of household health expenditure in Uganda were carried out before the COVID-19 pandemic and so report household financial catastrophe which misses the pandemic health shock.

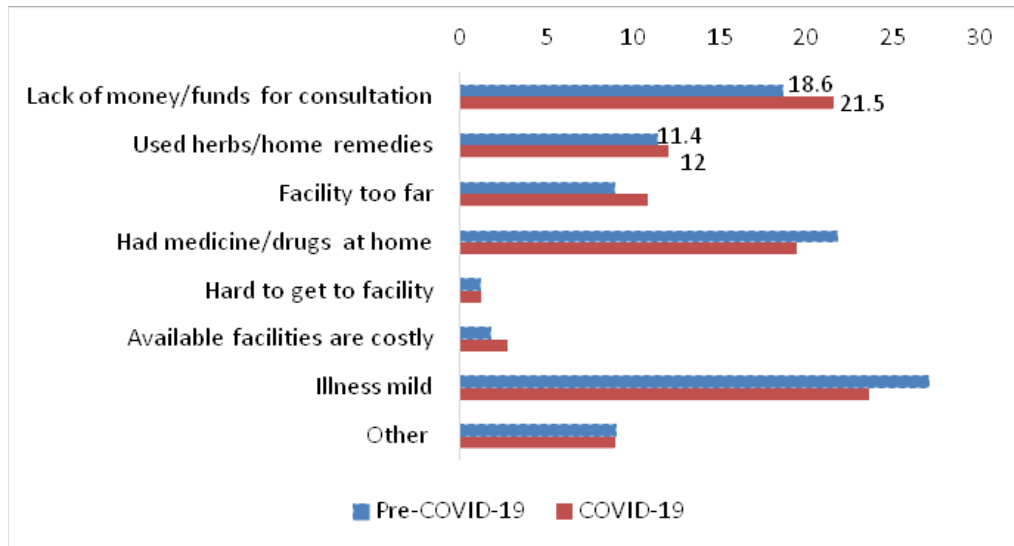
## Research approach

The policy brief summarizes findings from the study titled, “*Health Expenditure Shocks and Household Poverty Amidst COVID-19 in Uganda: How Catastrophic?*”. The study utilizes the 2019/20 Uganda National Household Survey data to answer three related questions: (i) to what extent do out-of-pocket payments (OOPs) for health care services exceed the threshold for household financial catastrophe amidst COVID-19? (ii) what is the impoverishing effect of OOPs for health on household welfare? and (iii) what are the socioeconomic and demographic determinants of OOPs for health care services in Uganda? The 2019/20 UNHS is not only the most recent, but also the first Ugandan household survey ever to collect information in the pre-COVID-19 and COVID-19 period.

## Research findings

***There is a high incidence and intensity of catastrophic health expenditures among households that incur any form of health care expense.*** Findings show that among households that incur any form of health care expense, 37.7%, 33.6%, and 28.7% of them spend more than 10%, 25%, and 40% of their non-food expenditures on health care, respectively. In terms of the intensity of CHEs, we find that among households that spend more than 10%, 25%, and 40% of their non-food expenditure on out-of-pocket health payments, their average out-of-pocket budget share exceeds the respective threshold by 82.9, 78.0, and 75.8 percentage points.

***In the COVID-19 period many Ugandans were forced to forego and/or substitute medical care for home remedies due to lack of funds to pay.*** Study findings indicate that in the COVID-19 pandemic period, among Ugandans who did not seek for medical care while they were sick or injured, 21.5% of them did not do so because they lacked money or funds to pay compared to only 18.6% who did not seek for care for the same reason in the pre-pandemic period. This leads us to argue that when the pandemic ravaged the economy, many Ugandans could not afford to pay for medical care costs and thus decided to forego. Relatedly, in the pandemic period, 12.0% of Ugandans did not seek for medical care because they used herbs or home remedies, which is an increase from 11.4% that substituted facility care for home remedies before the pandemic (see Figure 2).

**Figure 2: Reasons why Ugandans did not seek medical care (%)**

Source: Authors' own construction using UNHS 2019/20

**Households with members aged above 65 years and those with a member suffering from a non-communicable disease (diabetes, hypertension, heart disease, and cancer) bear the highest burden of health expenses.** Findings further indicate that having a household member aged above 65 years increases OOPs by approximately 44 percentage points, whereas any household with a member suffering from either diabetes, hypertension, heart disease, and/or cancer faces significantly higher OOPs by 33 percentage points compared to households without a member suffering from the same diseases.

**Although visiting a public rather than a private health facility reduces out-of-pocket payments for health by 52 percentage points, majority (71%) of Ugandans visit private facilities for their first consultation whenever they fall sick.** This might be due to several factors that range from proximity of private facilities to confidence and individuals' perceptions of services provided in these facilities. It could also be that patients update their preferences according to prior knowledge and experience with public facilities such as lack of medicine.

**Household expenditure on health reduces household food consumption.** Findings indicate that households often face the trade-off of whether to spend on health or food. More precisely, a 10% increase in out-of-pocket payments for health reduces household food consumption expenditure by 2.6%. This has implications on nutrition and dietary diversity which too affects health in the long-run and thus potentially traps the household into chronic poverty.

## Policy recommendations

The current modality of health-care financing in Uganda where households incur catastrophic health expenses keeps them in chronic poverty. The absence of a national health insurance scheme exacerbates the vulnerability to health expenditure shocks. At the extreme, households are forced to forego medical care or substitute it for local and homemade herbs. Therefore, to remedy this the following can be considered among other efforts:

***Enhance public health expenditure with selected subsidization towards services much needed by the most vulnerable.*** Since findings show that households with members above 65 years of age and those suffering from non-communicable diseases (diabetes, hypertension, heart disease, and cancer) face a huge burden of catastrophic health expenditures, there is need to selectively subsidize care for such vulnerable households.

***Establish a national health insurance scheme and support existing community insurance schemes.*** There is need to foster pooling of resources by all capable individuals and households so as to cushion them against unforeseen times of health expenditure shocks. This can best be done through health insurance schemes.

## References

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