Health care financing

Anisha khan
Assistant professor
MG Institute of health informatics

OVERVIEW

- Importance and rationale for the focus on health financing
- Definitions for health care financing
- Different mechanisms of financing
- Community based financing
- Health financing in India

FOCUS ON HEALTH FINANCING

- Late 1970s Voluntary community based health insurance attracted considerable attention
- 1980's financing of health care moved high on the agenda of the discussions on health policy
- Recurring theme in
  - Executive Board Meeting of the WHO in 1986,
  - World Health Assembly and the Commonwealth Health Ministers Conference in 1986
- User charges dominating the policy debates of 1970s and 1990s.
- Attention back on community based health insurance
- In developed countries the problem is containing the cost of health care
- In some developing countries the problem presents itself as how to maintain health spending and how to achieve "health for all" initiative

DEFINITION OF HEALTH CARE FINANCING

Definition of health care financing

- mobilization of funds for health care
- allocation of funds to the regions and population groups and for specific types of health care
- mechanisms for paying health care

HEALTH SERVICES FINANCING SOURCE

- Health services financed broadly through private expenditure or public expenditure or external aid
- Public expenditure includes all expenditure on health services by
  - central and local government funds spent by state owned
  - enterprises as well as government and social insurance contributions
  - where services are paid for by taxes, or compulsory health insurance contributions either by employers or insured persons or both this counts as public expenditure.

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- Voluntary payments by individuals or employers are private expenditure.
- External sources refer to the external aid which comes through bilateral aid program or international non governmental organizations
- The ownership of the facilities used whether government by government, social insurance agencies, non profit organizations private companies or individuals is not relevant

GENERAL REVENUE OR ENMARKED TAXES

- the most traditional way of financing health care
- finance a major portion of the health care (especially in low income countries)

Social insurance

- It is compulsory. Everyone in the eligible group must enroll and pay a specific premium contribution in exchange for a set of benefits.
- Social insurance premiums and benefits are described in social compacts established through legislation. Premiums or benefits can be altered only through a formal political process

MECHANISM OF HEALTH FINANCING

- general revenue or earmarked taxes
- social insurance contributions
- private insurance premiums
- community financing
- direct out of pocket payments

Each method

- distributes the financial burdens and benefits differently
- each method affects who will have access to health care
- financial protection

PRIVATE INSURANCE

- private contract offered by an insurer to exchange a set of benefits for a payment of a specified premium.
- marketed either by nonprofit or for profit insurance companies
- consumers voluntarily choose to purchase an insurance package that best matches their preference.

Contd…

- offered on individual and group basis. Under individual insurance the premium is based on that individuals risk characteristics.
- major concern in private insurance is buyer's adverse selection
- Under group insurance, the premium is calculated on a group basis. risk is pooled across age, gender and health status.

COMMUNITY BASED FINANCING

Refers to schemes are based on three principles: community cooperation, local self reliance and pre payment

Factors for success of community financing

- Technical strength and institutional capacity of the local group
- Financial control as part of the broader strategy in local management and control of health care services
- Support received from outside organizations and individuals
- Links with other local organizations
- Diversity of funding
- Responding to other (non health) development needs of the community
- Ability to adapt to a changing environment

DIRECT OUT OF POCKET

- made by patients to private providers at the time a service is rendered
- user fees refer to fees the patients have to pay to public hospitals, clinics, and health posts not to private sector providers.
- proponents of user fees believe that the fee can increase revenue to improve the quality of public health services and expand coverage
- major objection raised against user fees had been on equity grounds

COMMUNITY FINANCING

1. Technical strength and institutional capacity of the local group
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CHANGING GOVERNMENT ROLE IN HEALTH CARE

- Health is considered a public good
- Government needs to actively participate to avoid market failures

HEALTH CARE FINANCING IN INDIA

- The government's fiscal effort measured as the proportion of total government expenditure spent on health again identifies India as a low performer.
- In a global ranking of the shares of total public expenditure earmarked for health only 12 countries in the world had lower proportions spent on health.

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- The out of pocket private spending dominates with 82 percent spending of all health spending from private sources. This is one of the highest in the world.
- Globally only five countries have a higher dependence on private financing in the health sector (WHR 2000).
- About 10 percent of Indians have some form of health insurance mostly formal sector and government employees.

INSURANCE SCHEMES IN INDIA

categorized into : Mandatory, voluntary, employer based, and NGO based

- Mandatory insurance ESIS and CGHS
  - principally financed by the contributions of the beneficiaries and their employers and from taxes.
  - ESIS receives contributions from state governments whereas the latter is mainly financed from central government revenues. ESIS covered 35.4 million beneficiaries in 1998 and CGHS covered only 4.4 million beneficiaries in 1996. Providers mainly work on salaries and hospitals work under global budgets.

VOLUNTARY HEALTH INSURANCE SCHEMES

- Are for individuals and corporations
- Available mainly through the General Insurance Corporation (GIC) of India and its four subsidiaries- a government owned monopoly.
- financed from household and corporate funds

List of Various health insurance schemes in India

1. Ayushman bharat
2. Awaz health insurance scheme
3. Aam aadmi bima yojana
4. Bhamashah bima yojana
5. Central government health schemes
6. Chief minister comprehensive insurance scheme

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7. Employees state insurance scheme
8. Karunya health scheme
9. Mahatma jotiba phule jan arogya yojana
10. Mukhyamantri amrutum yojana
11. Pradhan mantri suraksha bima yojana
12. Aarogya raksha yojana
13. Rashtriya swasthya bima yojana Universal health insurance scheme
14. Yeshaswani health insurance scheme

Rashtrya swasthya bima yojana

- The RSBY is a project under the Ministry of labor and employment
- Started in April,2008 and has implemented in 25 states including haryana
- Scheme will be implemented by state government in a phased manner and entire country is to be covered in 2012-13
- Total sum insured of RS 30,000 per BPL family on a family floater basis
- A total 23 million families have been enrolled as of February 2011

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- Pre-existing diseases covered from day 1 coverage of health services related to OPD and hospitalization
- Contribution of GOI: 75% of the estimated annual premium of Rs. 750, subject to a maximum of Rs. 565 per family
- Although meant to cover the entire BPL population (Below poverty line) about 37.2% of the total population of India.

EMPLOYER BASED SCHEMES

- **Offered both by public and private sector companies through their own employer managed facilities**
- **Mode lump sum payments, reimbursements of employee's health expenditure or covering them under the group health insurance policy with one of the subsidiaries of GIC.**
- **Workers buy health insurance through their employers taking insurance in lieu of wages**
- **Ellis (1997) estimates roughly 30 million are covered under the employer based scheme**

COMMUNITY BASED INSURANCE SCHEMES

- **Primarily for informal sector**
- **Tends to cover all insured members of the community for all available services but have emphasis on primary health.**
- **Most financed from patient collections, government grant, donations, and such miscellaneous items as interest earnings or employment schemes**
- **Most NGOs have their own facilities or mobile clinics to provide health care.**
- **Total coverage is estimated to be about 30 million people (Ellis 1997).**

CHALLENGES WITH INSURANCE

- **India linking health insurance with employment is difficult because most people are self employed, have agricultural work, or do not have a formal employer or steady employment.**
- **Many of the poor are excluded from access to high quality health care and health insurance because of inability to pay, lack of knowledge, or other factors, related to geography or discrimination**
- **Too much of cream skimming too in India i.e.selection of less risky groups by insurance companies**

Third party administrator (TPA)

- TPA is a specialist health service provider
- Introduced by the IRDA, rendering the following broad-spectrum services
- Network with hospital
- Facilitating hospitalization process
- Claim processing and settlement

CONCLUSION

- Role of health economies be recognized
- Health financing cannot be separately as it has got to do with good governance, economic growth, education
- Social inclusion and financial protection seems to be provided through community based financing