Health Care Financing in Developing Countries: Major Challenges

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Keywords: Effective, Efficient, Health financing, Challenges.

Abstract: A basic function of government is to provide an effective and efficient health care service. The elements of a health care system are resource inputting, management, organisation and financial support. These elements as a determining factor of good service provision. On the other hand, health care financing is an issue being faced by development countries. The aim of health care financing is to mobilise resources for health and to improve access to effective and efficient service. This article has reviewed the available literature related to health care financing in developing countries. The major challenge of health care financing includes financial constraints, the inefficient allocation of health sector resources, and a lack of management capacity. In order to achieve effective and efficient health care financing, this article has concluded by recommending that there should be developments in health economics, civil service and public sector reforms, as well as developments in financing the social sector, and managed-market health care reforms.

1 INTRODUCTION

A basic function of government is to provide effective and efficient health care service for all citizens. For an effective and efficient health care service to work, it must be well-funded. The fund must be safe and protected from cheating and fraud. In a developing country, the funding of a health care service is a challenge. The health sector has an important role in the development of a country.

Health care financing are the strategies involved in paying for health care needs. The three functions of health care financing are revenue collection from various sources, the pooling of funds and the spread of risks across larger population groups. This is as well as the allocation or use of funds to purchase the health service. The objectives of health care financing are to make funding available, to ensure choice when it comes to cost effective interventions, to set appropriate financial incentives for providers and to ensure that all individuals have access to effective public health and personal health care.

As has been mentioned above, the health sector has an important role in the development of a country, so there is a relationship between health and the economy of a country. There must be a balance of expenditures between the health sector and other sectors. There are two broad sources of health care financing: public sources and private sources. Public sources include general tax revenue, indirect taxes incorporated into the selling price of goods or services, taxes on lotteries and betting, domestic and international deficit financing, external grants, and social insurance. Private sources include households, employers, private prepaid health insurance plans, donations, and voluntary organisations or non-governmental organisations. The funds are usually processed by financing agents before reaching the health service providers. Some of the agents in health care financing involve the people of the country as patients, providers like hospitals, governments as a professional association, and the purchase of care like that offered by insurance agencies.

2 METHODS

This article has used a narrative review method. A narrative review involves selected studies that are compared and summarised on the basis of the author’s experience, existing theories and models. The results on a qualitative rather than a quantitative level. The method of searching the literature in this article is by search some keyword in the internet. Some keyword used are health finance, health
financing, and health challenges. The objective of this article is an issue review. An issue review is the investigation of an issue in a specific field of research. A narrative review also collects and analyses data from studies that are included in the review. The existing data is used as the material to discuss related issues. In this article, the author wanted to know about the issues and challenges faced by developing countries related to health care financing. This article contains health care financing, issues, challenges, and solutions in some developing countries.

3 RESULTS

3.1 Health Care Finance in Nigeria

The main financial sources of health sector in Nigeria are the three tiers of government (Federal State and Local Government), public general revenue accumulated through various forms of taxation, health insurance institutions, the private sector, donors, and mutual health organisations. There are some policies and strategies applied in Nigeria to ensure that the health care sector have adequate financial sources. These policies are to ensure the government allocates and effectively manages fund in the health care sector. Nigeria’s policies and plans include the National Health policy, the Health Financing policy, the National Health Bill, and the National Strategic Health Development Plan 2010-2015. The National Health Policy aimed to strengthen the national health system that it would be able to provide effective, efficient, quality, accessible and affordable health services that will improve the health status of Nigeria.

There are multiple health care financing options in Nigeria:

a. Tax Revenue
   Tax revenue is a health financing system where the main source of health care expenditure cost comes from government revenues. Public health facilities are financed by public tax revenue. The Gross Domestic Product (GDP) in Nigeria is the most important determinant of health cost allocation. Nigeria spends less than 5% of their GDP on health and annual per capita. This health spending is less than the US$ 35 proposed by the Commission on Macroeconomics and Health (FRN, 2006).

b. Out of Pocket Payment
   Out of pocket payments are payments by the patients directly to a health care service provider without reimbursement. The charges for the health care services are referred to as user fees. Private health spending accounts for about 64% of total health expenditures and could be more than US$ 23 per capita. Out of pocket payments are the highest proportion of health expenditure in Nigeria.

c. Donor Funding
   Donor funding is external agencies and non-governmental organisations such as the World Health Organization, World Bank, and United Nations Children Fund which provide funding for health care. The contribution of donor funding is increasing in the Nigerian health sector. But, it still accounts for a small proportion of public expenditures.

d. Health Insurance
   Health insurance entitles insured persons and their dependents the benefit of a prescribed, good quality and cost effective health service as set out by the insurance. Capitation is paid monthly to the health centres from the pooled funds. Community-based Health Insurance is referred to as a mechanism whereby households in a community finance or co-finance the current or capital costs associated with a given set of health services, thereby also having some involvement in the management of the community financing scheme and the organisation of the health service. The common characteristics, however, are that they operate on a non-profit basis and apply the basic principles of social health insurance.

e. Exemption
   Exemption is a financial strategy where vulnerable members of the community (mostly toddlers and pregnant women) are exempt from paying for health care services.

Nigeria still facing some challenges related to public health care financing, such as:

a. Inadequate political commitment to health causing poor funding of health in general, and primary health care in particular.

b. Gaps in the area of stewardship and governance caused by the lack of clarity on the role of government at all levels in relation to health care financing.

c. Inadequate or the non-implementation of health policies that clearly spell out how funds are to be allocated and spent in the health sector.
d. Governance issues with the NHIS and poor buy-in by the states that limits coverage.
e. Dominance of the out of pocket payments presents the possibility of under or over supply of services depending on financial abilities.
f. Non-exploitation of other sources of health financing.
g. Several stakeholders acting independently and not in accordance with the government’s policy thrust.

3.2 Health Care Finance in Bangladesh

The Government of Bangladesh vision for the health, nutrition and population sectors is to create conditions in which the people of Bangladesh have the opportunity to achieve and maintain the highest attainable level of health. The Ministry of Health and Family Welfare (MOHFW) provides health care and family planning services through a number of organisations, such as medical college hospitals, specialised hospitals, district hospitals, Upazila Health Complexes (UHC), Union Health and Family Welfare Centres (UHFWC), rural dispensaries and community clinics (CCs).

Health financing in Bangladesh is dominated by private out-of-pocket expenditure. Social and private insurance and official user fees in public facilities comprise a very small proportion of total health expenditure. The total expenditure in Bangladesh is estimated at Taka 325.1 billion in 2012. Bangladesh spends too little resources on health care. The total health expenditure of GDP increased only slightly from 3.3% to 3.5% between 2007 and 2012, which increased of less than 1% in a decade.

Households paying fees are the main source of healthcare financing in Bangladesh which accounts for 63% of the total health expenditures by 2012. The expenditure on health varied widely in various administrative divisions in Bangladesh. It is clear that there is a significant regional difference in health expenditure in Bangladesh.

The MOHFW receives funds from the Ministry of Finance (MoF) and the development partners, and allocates funds to health facilities at different levels. In Bangladesh, the government prepares two types of budget; a revenue budget and a development budget. The revenue budget is intended to meet regular expenditures while the development budget includes project-related allocations for development spending. The revenue budget is larger, comprising nearly three-quarters of the total budget. Both budgets contain capital and recurrent spending.

The challenges faced in health sector are:

1. Ensure universal access to basic healthcare and provide services of an acceptable quality
2. Improvement in nutritional status, especially of mothers and children
3. Prevention and control of major communicable and non-communicable diseases
4. Supply and distribution of essential drugs and vaccines
5. Survival and healthy development of children
6. The health and welfare of women
7. Reduce the financial burden on households due to increasing health care costs

3.3 Health Care Finance in Indonesia

Health financing in Indonesia is complicated by decentralisation because the direct payment of salaries and capital costs by all levels of government. This clearly impacts on the hospital reimbursement schedules used by insurers. Although the concept at first appears simple, the districts are responsible for implementing the health services. The complexity of the flow of funds makes for an intricate, inequitable, inefficient, and fragmented set of financial flows. A study indicates that many poor districts are receiving much higher levels of funding than previously, but they have been unable to spend the funds because of local absorptive capacity constraints.

Indonesia has one of the lowest amounts of total and government health spending according to the share of GDP and the GDP spent on health (NHA report, 2013). Social security and health financing can be measured by the size of the health expenditure by the public sector. The development of the health sector is dependent on the financing scheme of the universal health coverage system.

On the other hand, health insurance participation remains low in Indonesia. The government estimated that in 2008, formal health insurance covered only 48% of the population. At the beginning of BPJS in January 1, 2014, the coverage under BPJS was a little more than 112 million people. In the first 60 days, there were an additional 790,000 people registering to BPJS from the informal sector. BPJS has set the target that in 2020, all populations must be covered by BPJS.

4 DISCUSSION

Based on the description of the three countries, the problems faced are almost same. There are low levels of health financing, uneven health services,
corruption, and much more. The three countries are facing similar problems because the three countries stated above are developing countries. Developing countries are countries whose welfare levels are still low. On other aspects such as economy and development, they have variation.

The demand for health will increase with time. People want the best health care services. This is a big challenge for the governments to create conditions desired by the community. Health care services are close to health financing. Each country has its own financing system and sources of financing and problems.

In Nigeria, the government must explore and refine others’ sources of financing that are efficient, equitable, fair and sustainable. Per capita, health spending should increase to $60 to provide a minimum range of services. Better mind-sets and behaviour, pay-for-performance bonuses, incentive programs and training will motivate health workers to deliver high-quality care efficiently. The implementation of health financing and actions needs to be monitored and evaluated periodically.

The government of Bangladesh needs to expand the tax base to generate more revenues and at the same time explore ways to generate additional resources for health. Bangladesh should prioritize health and allocate a much greater proportion of its budget for health care. Bangladesh also needs to invest in improving the infrastructural facilities of the health system. Social health insurance can be initiated as a financing mechanism with the objectives to strengthening financial risk protection, and extending health services and population coverage with the final goal to achieve universal coverage.

The largest challenge faced by Indonesia is uneven when it comes to the funding in many districts. The government must simplify the funds flow for them to be evenly distributed. The other challenge is participations of health insurance remains low. The Indonesian government is committed to introducing universal health coverage (UHC) by 2019 to cover the projected population of 257.5 million. The government needs to focus greater attention in the design and to strengthen engagements with local government, civil society and other stakeholders to better support public trust in the sustainability of the system.

Developing country also faced the number of older person. The number of older is expected increase from 249 million to 690 million between 2000 and 2030. The elderly are at high risk for disease and disability. So, the developing country must prepare for urgent demand relate to aging population. Chronic disease makes up the world’s burden of disease. The challenge for developing countries is reorient health sectors toward managing chronic disease and the special needs of elderly. These countries should build a prevention way and some program to delay the chronic disease, enhance care for the chronic disease that plague elderly populations, and improve quality of life for the elderly population.

5 CONCLUSION

The method of health care financing is different for every country. Health is vital to the development of the country, so there is a need for adequate funding for health sector. An overview of the reviewed literature showed that in developing countries, a greater percentage of health care financing comes from out-of-pocket payments. Developing countries’ major challenge to do with health care financing includes financial constraints, the inefficient allocation of health sector resources, and a lack of management capacity. In order to achieve effective and efficient health care financing, it is recommended that there should be developments in health economics, civil service and public sector reforms, including developments in the financial and social sector, and managed-market health care reforms.

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