

# Health Care Financing Rationale

" A means to sustain fundamental health system goals such as equity, efficiency, and improved health status"

## Background

**Studies in health care financing in many developing countries have shown:**

1. Centralised, free health care is very costly, inefficient and not sustainable on a long-term basis;
2. Deficient financial planning and management and lack of control by the users lead to waste and misuse and subsequent insufficient health coverage and decline in quality of public sector health services.
3. The state as being ultimately responsible, should maintain or increase its financial contributions to the health services.

## Background contd....

### Goals for health care financing

- Equitable accesses to health care
- Delivery of improved services at affordable prices
- Sustainability (capacity to generate, over time, sufficient, reliable resources to deliver continued and improved health care for a growing population with a minimum of external inputs).
- Acceptability

## Background contd....

### Sources of Health Care Funds

There are 4 main sources:

#### Government

- A study in 1990 in twenty-five African countries found that: Burundi, Kenya, and Zimbabwe, government expenditure account for more than half.

#### ▪ Private Expenditure/Insurance

- Households especially the more well-to-do groups expend substantial out-of-pocket sums for health.

#### ▪ International Aid

- Donors play an important financial role in many African countries.
- Donor aid has been used for paying some recurrent expenditure, especially for drugs and public initiatives for health.

#### ▪ Community sources

## Background contd....

### **Mechanisms for Mobilising Additional Resources**

Policy makers face continual pressure to mobilise additional resources to sustain national health systems.

#### **User fees:**

- User fees are paid by patients at the point and time of receiving health care services

#### ***Objectives.***

- To generate revenues - needed for to upgrade services (improve supplies , maintenance and repair etc.
- Equity, if the relatively wealthy pay fees and governments use these revenues to improve and subsidise services for the poor.
- Control misuse of services.
- Enhance / improve management capacity.

## Background contd....

### Models of user fees

#### 1. **The standard system** – Pay fees at the point of use.

- Model applied in hospitals and health centres in Kenya.
- Money collected is used at the facility for purposes of improving quality of care.
- Implementation has suffered several setbacks since inception in 1989.
- Ministry of Health issues guidelines for implementation.

### Challenges

- Incompetence in financial management (corruption, poor planning).
- Bureaucracy
- Inadequate fee generation

## Background contd....

### Models of user fees

#### 2. The Bamako initiative model - This is implemented at the PHC level.

- Aims to raise and control funds at the local level through community-based activities.
- The nature of the financing mechanism is decided and managed by community. Can be: *user fees, a prepayment scheme, or a local tax system.*
- The community can establish an exemption mechanism and criteria.
- Requires good management skills in the community.
- Overall objectives are to achieve a sustainable resource mechanism, continuous drug supplies, sound management, and decentralised decision-making .