Health Financing Models and Implementation

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Outline

- Alternative Financing Methods
- A modern Social Health Insurance Model
- Enabling Factors for a successful SHI
- Implementation: Planning steps and enrolling the informal sector workers
Common Financing Model in SA

**Traditional NHS model** (i.e. government tax financing and direct provision of services):

- People have equal access to public health services (include prevention), but
- Public health services suffer from inefficiency and "unsatisfactory" quality, mostly due to underfunding, poor management, civil service rules, and unions.
- Public health services are underfunded, so patients may have to pay for drugs, supplies and tests; doctors salaries are low, so they are allowed to have dual practice.
- Affluent people opt out and rely on private services, except tertiary care.
- Symptoms: two tiered; high out-of-pocket costs
What do you think, how sick the health fund actually is?

Very sick! There is no hope without helpful money-injection…
Financing Options

- Self pay (include user fees)
- General tax revenue financing
- Donors

Insurance:
- Social insurance: Compulsory; Public or private management
- Private: Voluntary

Community-based Financing
A Summary of Ranking of Different Financing Methods

<table>
<thead>
<tr>
<th>Equity</th>
<th>Minimum Economic Distortion</th>
<th>Risk Pooling</th>
<th>Least Risk Selection</th>
<th>Productive Efficiency*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BEST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Rev. (GR)</td>
<td>UF, PI</td>
<td>GR</td>
<td>GR</td>
<td>UF (Sometimes hard to collect)</td>
</tr>
<tr>
<td>Social H. Ins. (SHI)</td>
<td>CF</td>
<td>SHI</td>
<td>SHI</td>
<td>SHI</td>
</tr>
<tr>
<td>Community Fin. (CF)</td>
<td>SHI</td>
<td>CF</td>
<td>CF</td>
<td>CF</td>
</tr>
<tr>
<td>Private Ins. (PI)</td>
<td>SHI</td>
<td>PI</td>
<td>PI</td>
<td>PI (High Admin. Cost), GR with direct provision</td>
</tr>
<tr>
<td><strong>WORST</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>User Fees (UF)</td>
<td>GR</td>
<td>UF</td>
<td>PI</td>
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</table>

*Productive efficiency factors include technical efficiency and administrative costs.
A Strategy in Healthcare Financing--
Options for Various Population Groups

<table>
<thead>
<tr>
<th>Income Status</th>
<th>High</th>
<th>Middle</th>
<th>Low</th>
<th>Poor and Near Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed in Formal Sector</td>
<td>- Social Insurance - Private Ins</td>
<td>- Social Insurance - Private Ins (for some)</td>
<td>Social Insurance</td>
<td>Social Insurance</td>
</tr>
<tr>
<td>Employed in Informal Sector</td>
<td>- Voluntary Social Insurance, CBHI - Private Ins</td>
<td>- Voluntary SI, CBHI - Private Ins (for some)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-Employed</td>
<td>- Voluntary SI, CBHI, Private Insurance</td>
<td>- Voluntary SI, CBHI, Private Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retired</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmers</td>
<td>- Voluntary SI, CBHI, Private Ins.</td>
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</tbody>
</table>

GENERAL REVENUE and SELF PAY CAN BE USED TO FUND ANY GROUP.
Modern Social Insurance
As An Option
## Traditional vs Modern SHI

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Modern</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal sector workers-covered</strong></td>
<td><strong>Formal sector-same</strong></td>
</tr>
<tr>
<td>and er and ee pay pm</td>
<td></td>
</tr>
<tr>
<td><strong>Informal sector workers—not</strong></td>
<td></td>
</tr>
<tr>
<td>covered</td>
<td><strong>Gov’t subsidy prem</strong></td>
</tr>
<tr>
<td><strong>Poor—welfare. Rely</strong></td>
<td><strong>Gov’t pays full prem for</strong></td>
</tr>
<tr>
<td>on public facilities</td>
<td>the poor and near poor</td>
</tr>
</tbody>
</table>
Potential Advantages of Universal Social Health Insurance

- Mobilizes more funds for health

- Provide eventual universal insurance coverage with a basic or reasonable benefit package.

- Improve access to health care, pool risk, and give risk protection.

- Target public fund to the poor more effectively

- Shift subsidy from supply side to demand side to improve efficiency and quality of health care.

- Improve access to health care by contracting private sector providers.
Successful SHI Requires 8 Enabling Factors

- Economic condition and growth rate
- Sufficient government revenue to subsidize the poor and near poor.
- Social structure—family
- Sufficient popular demand for insurance—i.e. large out-of-pocket costs.
- Adequate supply of health services
- Good governance
- Administrative capacity
- Data and Management information
Major Planning Issues

- Covered population/eligibility
- Enrollment/premium collection
- Benefit package
- Costing/financing
- Organization of the fund: Public, Semi-public, Private non-profit, for-profit
- Delivery of services—direct or purchase
- Payment system
Major Planning Issues (2)

- Administrative systems
  - Smart card—Benefit Eligibility card
  - Premium collection and accounting
  - Actuarial
  - Electronic Claim system
  - Monitoring quality and cost
  - Management information
Administration

- Costs of premium collection and targeting
- Transparency of its operations and performance
- Accountability to regulators and enrollees
- Compliance with law when operated by private insurers
Country Examples

- Advanced nations: Germany, France, Canada, Taiwan, S. Korea, most eastern European nations, ..... 
- Middle income countries: Chile, Colombia, Mexico, ...... 
- Low income countries: Thailand, China, .......

Question For Discussion

A country decided to establish a social health insurance scheme, how do you attract the Non-Poor farmers and informal sectors workers to join and pay a premium. and maintain a mixed source of financing?
Alternatives to Enroll the Farmers and Informal Sector Workers

- Local government
- NGOs such as micro-financing organizations, associations, unions.
- TPAs such as private insurance companies.
- Community-based health insurance.
Micro-health insurance

- Micro-Financing plans has an established outreach to the poor; has administrative capability; can build on economies of scale and scope.

- A nature fit between micro-credit and insurance to assure repay of loans.

- Challenges: insurance design and operation are complicated; how and who would provide health services; adverse selection; reinsurance,......
What is Community-based Health Insurance?
Confusion About Community Financing

Broad Definition: Any scheme that asks community members to prepay their service which includes:

--Private hospital-sponsored insurance covering only their own services

--NGO sponsored insurance to cover services delivered by their own clinics (BRAC, SEWA...) or purchase services.

--Community Fund where members prepay government provided services

--Mutuales

--Health cards

--Community-based Rural Mutual Healthcare
The Principles and Operations of a Community-based prepayment scheme
Premises Behind Rural Mutual Healthcare

- Governments of lower income nations have insufficient tax revenue to adequately fund the essential health care for their low-income and poor citizens.
- Poor and low-income households are spending a significant amount for health care and drugs when they are sick by paying public and private sector providers.
- Most farmers are willing to prepay when they are assured the marginal benefit will be greater than their marginal cost, gains such as:
  - Financial gains
  - Their money will be used more effectively for their own benefits
  - Basic services located close-by; the availability and quality of services, drugs and supplies will be better
- People are willing to help neighbors when financial disaster strikes (i.e. social capital is present)
Principles of the Community-based Health Insurance

- Community Management at the local level
- Community Cooperation to provide insurance for most residents
- Self Reliance
- Government Subsidy for prevention and for the poor
Farmers’ Preferences

- Prevention and basic health care and essential drugs are available close-by (at the village level)
- Drugs are safe and pure; health workers are reasonably competent
- Curative services and hospital services are reasonably accessible and affordable
- Protection from catastrophic medical expenses
- Prepaid funds are used for the benefit of the farmers and their families
- Often farmers do not trust the local government
Design Principles

- Prepayment rather than insurance, otherwise most households do not experience gains
- Subsidy by government or donor (to make the financial gains readily visible); Contribution by members
- Size of risk pooling—assure financial sustainability
- Benefit package—give people what they want
- Bulk purchasing and distribution of essential drugs to produce efficiency gains
- Organization and Management—assure members they have control over their money will be spent for their benefit, not for the local power elite.
Design of Community-based Health Insurance

- Joint funding sources -- government/donors and households who can afford to pay.
- Integration of financing and delivery of basic health services at health station level, allow use of private practitioners
- Fund managed by a board elected by the local community
- Health posts jointly managed by the local community
- Transparency on financial affairs
Roles of Government

- Educate the community
- Assist the community to organize
- Train book-keeper and administrator and establish operational procedures
- Regulate, monitor and conduct oversight
- Shift from supply side subsidy to demand side
Potential Economic and Health Gains

- Better access to “trusted” practitioners and drugs; most important on access—distance, and convenience, most important on “trusted”—safe

- Lower drug cost to households thru bulk purchase of drugs

- Better technical quality of services

- Reduce the chance becoming poverty-stricken due to large medical expenses
Successful Models in National Community-based Health Insurance

- Thailand Health Card.
- Indonesia’s Dana Sehat
- Uganda’s Funeral and Health Funds
- China’s Cooperative Medical Care
- Iran’s Primary Care Network
- Ghana’s national health insurance
CONCLUSIONS

- SHI can be a very effective way to raise additional resources for health and, expand coverage to everyone, provide stable financing, make benefit and cost more transparent.

- Expansion of SHI to everyone is a long process, depending on the political and socioeconomic characteristics of each country. For many DC with large informal sector and stagnant economies, it may be unrealistic in the foreseeable future to achieve universality.

- A nation must assess its enabling conditions and be realistic how to overcome the barriers to achieve an sustainable program with universal coverage and take advantages of SHI and reduce its drawbacks.