

Health System Financing from Experts` Point of View

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Abstract: Financing of services in health sector is one of the most important issues in health economics studies. In this study the situation of accumulating and financing of resources in health system by the use of existing documents and the experts` viewpoints is investigated. In the current study five specialty panels were held with the presence of the agents of curative affairs department of the Ministry of Health, policy-making council of the respective Ministry, budget center of the Ministry of Health, department of strategic affairs of the government, Social Security Organization, Curative Services Organization and Imam Khomeini Committee after collecting and reviewing the relevant documents authenticity. NVivo 8 was applied for content analysis of the documents and interviews. Despite increasing the costs of public health care services, government has spent on health less than half of what expends on health in the country. Moreover, what spends on health is too descending, unfair, along with very high level out of pocket direct payments in the main plans of social security insurance and treatment services insurances. It seems that there are some solutions to improve accumulation and finance of health resources include: implementation of health insurance plan and pooling the insurer funds, resolution of current legal problems, reform the system of setting insurance premiums by the use of scientific methods, calculation of total costs of health services, creation of systems of the comprehensive information management of insured persons, compulsion of health technology assessment studies before applying them, provision of identical guidelines, reduction of managerial costs specially at middle level management, determination of basic service package by the scientific method, establishment of family physician plan correctly along with appropriate education and culture-building.

Key words: Financing • Health System • Document Analysis

INTRODUCTION

Resources of health sector are one of the issues addressed in most developing countries because more than 5 percent of GDP and 5 to 10 percent of government expenditure has been allocated to this sector. Nowadays the issues of population growth, increasing growth of prices, inappropriate distribution of facilities and resources has resulted in special attention and approach to productivity and appropriate use of existing facilities in order to achieve greater efficiency [1].

On the other hand, although the health care financing system should be able to adjust health services as a vital necessity so that the poor people be able to bear financial burden of them, the experimental studies showed that due

to high discount rate of future benefits of preventive measures and the uncertainty of obtaining them, most people consider them low important [2]. Meanwhile the weak policies and related regulations in order to conduct affairs and sometimes offering excess facilities by public health providers lead the financing system to reduction of health system quality and efficiency and due to many reasons, such as being less cost effective public health programs compared to investment and health care providers` willingness to inappropriate and lucrative health services, high-tech diagnostic services and particular medicines services used more in the developing countries in compare with developed countries that in turn is a factor of imposition the exorbitant costs to their health systems [3].

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information The availability of funds, proper financial motivation for providers and ensuring all people have access to public health services and effective health care services are the objectives of health system financing and the purpose is the health system takes into account the importance of the prevention people from becoming poor because of payments for health services as well as the elimination or reduction of the possibility is not being able to pay for health services [4].

Health systems in different countries are financed by different methods. Public and private sectors are the main source of finance in most cases. The resources are also prepared and collected in different ways in the mentioned sectors. The way which a country selects depends on history, culture, the existing organizations and the considered trade off [5].

On the other hand, Sources of health care financing, with respect of dependence on government, are divided into three parts: public, private and semi private.

In most countries, the private sector has a major role and position in health care financing. Private spending on healthcare includes direct households payments, payments by private insurance, employee direct payment for these services and subsidies distribution [6]. In Iran, the private financing is not given enough importance in the policy debate because Ministry of Health and Ministry of Finance pay more attention to public healthcare spending [7].

Private financing in developing countries covers almost half the cost. On the contrary, in the countries with strong market economy, the government plays a greater role in health care financing by state insurance or social insurance [8].

In semi-private financing which is a combination of public and private financing, private sector share of total health costs varies depending on region. Private financing accounts for more than half of total health expenditure in South Africa and nearly half of the total cost of the semi-desert Africa, East Asia and the Middle East. But in some parts of Europe and Latin America with higher income or socialist traditions, the private sector is less important [9].

According to the above mentioned, it is important to note that the development of financing policy is a difficult task because the particular method of financing which is adopted by a country may change the economic incentives for patients and providers and access to health care for specific social groups as well as the way of healthcare delivery [10].

Hence, health care financing is one of the most important issues in health economics studies and it is obviously that the collection and supply of resources as

the first sub function of financing could be a prerequisite to achieve higher risk pooling and more appropriate allocation of resources. Therefore, in this study the situation of accumulating and financing of resources in health system by the use of existing documents and the experts' viewpoints is investigated.

MATERIALS AND METHODS

The study has been conducted by two methods of document analysis and expert panels. The document in qualitative studies consist of government guidelines and directives such as official documents, notified policies and plans and periodic reports and according to the purpose of the study, existing documents of basic insurance organizations, Ministry of Health and Medical Education and department of strategic affairs of the government have been used in the study.

Meanwhile, in order to fill the existing information gap, five specialty panels were hold with the presence of the agents of curative affairs department of the Ministry of Health, policy-making council of the respective Ministry, budget center of the Ministry of Health, department of strategic affairs of the government, Social Security Organization, Curative Services Organization and Imam Khomeini Committee.

The purpose of holding the panels was to achieve the experts' consensus through group discussion and in depth interview. A intensity sampling method was used in order to choose participants as the best representative of the target population as well as provide new insights in the best way and with maximum variation. In this method of sampling, the people who have extensive information about the phenomenon are chosen with the aim of providing the best examples of and information about the considered phenomenon [11]. In this regard, after making a list of the best experts in the research community and prior coordination with the phone, they were invited to attend the panel meetings and finally 5 meetings with the participation of 15 experts were hold. Each meeting lasted an average of 180 minutes with a standard deviation of 15 minutes. The content of the meetings were recorded after permission of the participants and notes on the conversation between the participants were taken and signed and approved by them at the beginning of the next meeting as the meeting minute. Meanwhile, the discussing topics reached saturation with this number of participants during the mentioned panels.

In order to analyze the findings of the first part (documents analysis) after collecting the relevant documents, their authenticity was evaluated in terms of

time and the most recent and most updated, relevant documents were used and in order to content analysis of selected documents, NVivo 8 software was used. In the second part, in order to analyze the interviews and discussion content, the interviews were categorized into subject categories and analyzed by the mentioned software. Meanwhile, there was a high level of reflexivity in the study and people involved in the process of analyzing qualitative findings had no conflict of interest with the subject.

RESULTS

Findings of relevant government documents suggest that total health expenditures in the country in 1990 and 2002 were 4.8% and 6% of GDP respectively. This figure in 2005 has reached to 127 trillion Rials or 8/7% of GDP (per capita U.S. \$ 205). Meanwhile, the government spending on health is less than half of what expends on health in the country and 40% of this amount is used by the insurance funds. However, the panel participants believed that Iran has made tremendous progress in health financing and expanding insurance coverage to nearly all the population during recent years. There are a variety and increasing number of insurance organizations in Iran that are able to purchase services on behalf of half of its insured members and rural health insurance program is the latest indication of the progress in the years after the Revolution. The fourth and fifth five-year plans have called for development of public sector investment and protection all citizens from financial danger. Current trend of health expenditures shows that Iran is on the stage of significant expansion of investment in health care. It seems that the costs are increasing rapidly. Now Iran is one of the top spenders in health care in the region and compared with international standards, however a number of issues including quality, consistency, efficiency and justice still remains.

On the other hand, the participants believed that paying attention to different ways of earning money in country is important. Especially that revenues from oil exports continue to increase but what is spend in health is sharply regressive, unfair and along with very high direct and out of pocket payments by patients in the major programs of Social Security Insurance and Health Services Insurance and also a large part of private sector service providers have no contract with insurance. In new rural insurance program, rich and poor pay the same amount of premium and it in turn creates questions about the lack of targeted structure of participation. In the future, the government should consider the issue of

fairness and guarantee the coverage of the population and insurance of civil servants and all rural population.

As evidence of the claim, the premiums of Social Security Insurance which have been determined based on salary are very high compared to other places in the world. In addition, the premium is based on income, not assets. The determined threshold prevents the high-income owners from paying tax or higher premiums. There is another issue on premium based on salary and its relation to macro economic growth and long term economic management. Heavy taxes on salary might endamage creating such jobs and investments and push the private sector toward underground businesses, especially in small or medium-format. Heavy taxation on salary of those who work in the informal economy sector prevents them from working in the formal sector and paying premium to the insurance organizations. In Iran, the extent of the informal economy is estimated about 20% of GDP. In addition, unemployment rate remains high. In short term, disconnection between the amount of premium and services coverage may encourage more people in the informal sector to get insurance. Although the tradition of giving a subsidy from general revenues to cover certain groups has a history in Iran, the problems related to uninsured population and informal sector labor and economic production still remain. Subsidy to pay for insurance is an important approach, but should also be looking for other ways to earn.

Although many economists believe that inflation has little or no role in the expansion and increase of production, other experts believe that the inflation means the increase of the current prices and is one of the common and current features in all the world's economies. However, the crisis occurs when the rate of inflation is out of control and the rate of price rise would grow increasingly. One of the main indexes to measure inflation is consumer price index (CPI). Documents showed that the mentioned criteria based on basic year 1997 has tripled over the period 1984-1991 and has increased more than 4-fold during the period 1991-1997. In other words, during the period 1984-2007, CPI has increased by nearly 62%. Since estimates suggest that the inflation rate in the year 2008 is 24 percent, so percent increase in the CPI index will reach by more than 78 percent over the period 1984-2008. During the period of 1984-2008 and implementation of development plans, average inflation in the health sector has been exceeded the country's inflation. Regardless of the causes of inflation and the government's economic policies, purchasing power to the people to buy health goods and services is important to note Obviously, considering some principles and macroeconomic policies can encourage purchasing power include setting tariffs

based on total cost of services, target orientation of subsidies in order to fairly distribute the risk between different population deciles and exchange rate adjustment.

Finally, other documents indicated that currently the share of direct payments of households of total expenditures of the sector is over 53%. This part of the costs is much greater than the expected share in the public insurance system and is higher than similar proportions in developed countries. According to the experts, this situation shows that more than half of the costs in the sector are not influenced by the government policies and interventions. This situation increases public concern over the issue of equity in the health sector and imposition of costs of illness risk to the patients. However, to increase the role and influence of government intervention, the share of direct payments of households should decline to less than 30 percent.

DISCUSSION AND CONCLUSION

Financing the health sector is faced with three major issues: First, the increasing cost of health care, second, continuous advances in science and technology and finally, worldwide overpopulation [12]. Iran health system faces many challenges in financing while it is dealing with the social, economic and technical rapid changes [13]. As evidence of the claim, ranks 93rd and 58th of Iran's overall health system performance and its performance on health respectively among worldwide health systems indicate its weakness and inefficiency in achieving the goals of the health system [8].

The present study indicated that despite a share of 5.83 percent of GDP is spent on health, according to Iran Statistics Center studies in 2008, the amount the government spends on health practically is less than half of what expends on health in the country. On the other hand, the evidence showed that decline in the government share is associated with out of pocket payments increase and 53.6 percent out of pocket payments for health of total health expenses in 2008. According to Iran Statistics Center, studies in health sector, could be an evidence for this claim.

On the other hand, however the participants believe that Iran has made tremendous progress in health financing and expanding insurance coverage to nearly all the population during recent years, there are some issues that call for attention of policy makers and health planners include uncertainty of the exact amount of insurance coverage, overlap in the statistics of the insured population covered by different insurance organization due to disconnection in insurance system and finally 80% insurance coverage according to other studies [14].

The participants have considered the rural insurance development as the last sign of progress in the years after the Revolution. Other studies have suggested that the insurance coverage has been only increased by 10 percent after developing rural insurance compared to previous years [14] so it is necessary to conduct complete and comprehensive studies in this area based on accurate data.

Other results concerning very high direct and out of pocket payments and main Social Security and Health Services Insurance plans are regressive and unfair require more attention to reform the financing system and move it towards an proportional or progressive model. In this regard, calculating the actual costs of services through total cost mechanisms and using them in setting tariffs are important factors, since paying total cost by people in the high-income deciles and providing subsidies only to those in the low income deciles can greatly contribute to improve the health financing mechanisms. However, proper implementation of target orientation of subsidies law will also be effective.

In this regard, the revising the tax model and highlighting the health tax would be quite important. Meanwhile, use of per capita method is one factor that makes financing system regressive since in which there is no possibility of the flow of the cross subsidies from high income deciles to low income deciles. So, it is clear that reforming the premium payment system and not using the capitation method (paying a percentage of salary as premium) would also be useful.

Moreover, developing a transparent pattern of financial flows also help greatly to improve health financing mechanisms. As other studies suggested the currently governmental costs of some financial resources for some state hospitals and this results in lack of transparency in health system financial flow as well as unreal tariff in public sector [14].

Finally, it seems that there are some solutions to improve accumulation and finance of health resources include: implementation of health insurance plan and pooling the insurer funds, resolution of current legal problems, reform the system of setting insurance premiums by the use of scientific methods, calculation of total costs of health services, creation of systems of the comprehensive information management of insured persons, compulsion of health technology assessment studies before applying them, provision of identical guidelines, reduction of managerial costs specially at middle level management, determination of basic service package by the scientific method, establishment of family physician plan correctly along with appropriate education and culture-building.

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