Economics of Health and Healthcare
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Lecture - 26
Building Blocks of Health System and Health Financing

Hello everyone. In this session, we will try to talk about health financing. Health financing is an important area these days. Whenever we discuss about improving health system, improving health status or health seeking behavior and what we have found that the one of the root cause is that the health status of people in general, in any underdeveloped country has not been good or has not been quite appropriate just particularly because of the poor health financing system.

And because it is not only accessibility of the healthcare for them, but also the affordability to access them or to avail those health systems even if the government provides in those countries or in these countries, the government provides the public health system or the health system is you know under government by a large margin, but at the same time the access of government based health institutions are not really up to the mark.

Therefore, they have to rely on the private health system and where they have to pay a user fee or they have to pay you know the treatment cost. They have to be bear by themselves and often it has been a challenge for them, the poor people, underprivileged people, remote areas that they end up you know having taking loans or you know losing all their savings to meet the treatment cure or treatment cost. Therefore, this volunteer organization has given a six building blocks.

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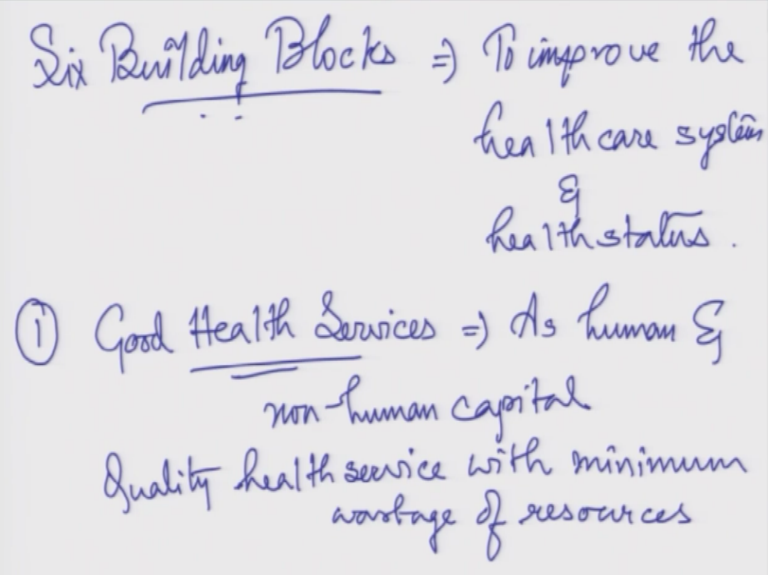

They have identified to improve the healthcare or the health system, health care system and status and health status of general people. Health financing has taken a very important place over there. I will just broadly tell you, which are those six building blocks. Number 1 good health services. It talks about quality of human as well has non-human capital quality health service with minimum wastage of resources.

Yes, this must be the first 1 that you know, I give them the best quality health service without you know losing much of my wastage or losing much of my resources. So that should be the prime objective. Again this is the first building block you know based on that they have tried to feature and then when they talk about this human and non-human capital the first thing is that human capital. So in point 2, we will discuss about health workforce.

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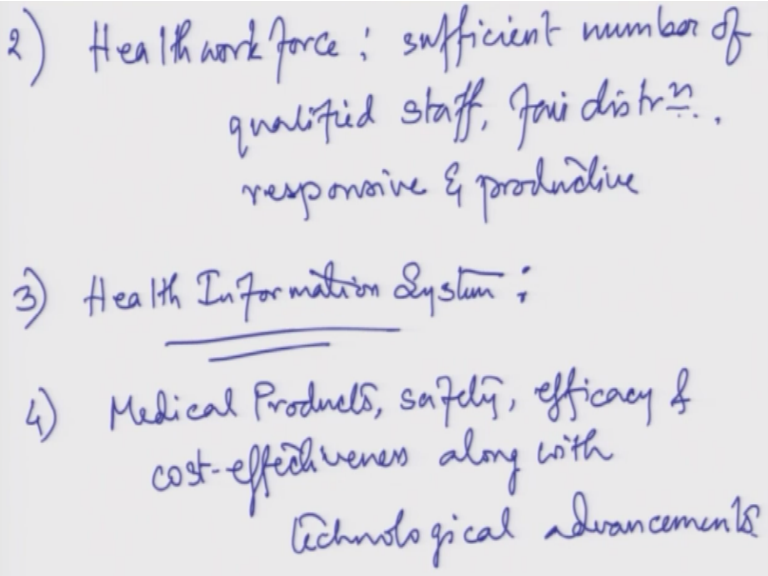

So there should be sufficient number of qualified staffs a fair distribution of stuffs that would be under you know urban and rural area should have enough number of healthcare staffs. They should be responsive and productive. Number 3, after we ensure the health workforce performing well to achieve a quality health care, which the first building block they have talked about human capital as well has non-human capital reducing the wastage of resources, the third thing comes as health information system.

Everything is now data-driven. Health information system, even now the you know the primary health centers in India, if they have to send a report or send a weekly report or monthly report they just can their hard copies where they keep the information and send them. They do not really take them to you know the individual information or the micro level information. They do not take them in an Excel file or something like that.

Whatever I have seen that the Excel file contains in the best scenario. The Excel file contains the monthly consolidated number that what is the patient followed for, if there is a major disease, how many people who have suffered from the disease, what is the total number of immunization, but not how many or of which age which gender, nothing is given there. The individual information has not been mentioned there, still something is there and that is the best form what we can have now.

So the health information system should be consolidated, so that both the private, public, primary care, secondary care, tertiary care can all be consolidated and you know and we can ensure the universal health coverage. Number 4, it should be the medical products, safety efficacy and cost-effectiveness along with technological advancements. So this is non-human capital. This is my non-human capital. The fifth one is health financing.

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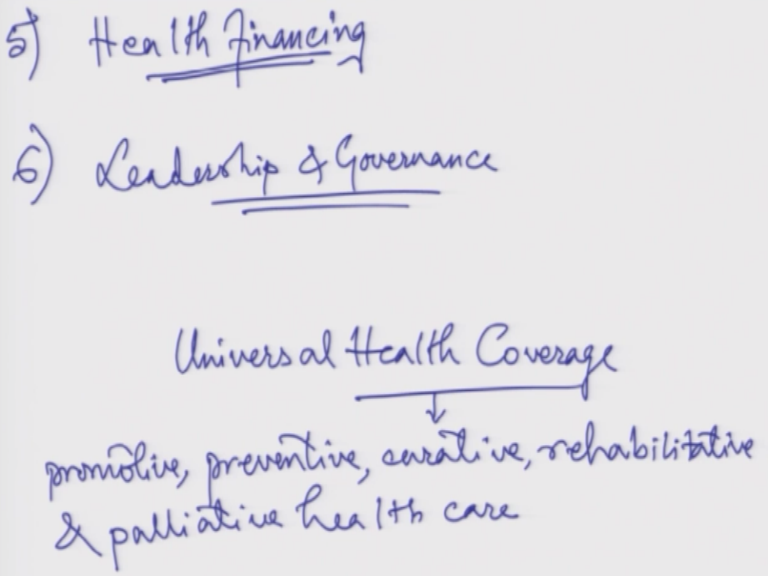

So health financing should raise adequate fund, which can ensure the you know the affordability of the people. So the government and or whatever we have seen in our previous discussions, the government expenditure or the proportion of government is expenditure or proportion of the total GDP the country's income going towards health expenditure is a very, very important indicator of development of a particular country or state.

Therefore, health financing has taken a very important place over here in the six building blocks and which is a fifth one and then it says to ensure the universal health coverage you know which is the primary goal of this World Health Organization or World Bank or you know UNDP, United Nations Development programs. So the universal health coverage that is health for all, yeah. Health being the basic or fundamental rights.

And you have everything around you, but you do not have money, so you cannot really access them. So the affordability as well as accessibility, accessibility cannot alone ensure the best of

the health, so affordability should be there and therefore the health financing and it is government responsibility that how they set up a structure you know whether they ensure that health insurance should be the primary you know factor behind the payment mechanism.

Whether they think that I should pay out of the taxes or I will subsidize the private you know institutions wherever I cannot reach as far as apart from the government's responsibilities or you know it should be some managed care organizations should be brought in. So this is government's purgatory and the final idea should be that how far the out-of-pocket expenditure can be reduced.

You know, the lesser the out-of-pocket expenditure, the lesser chance of a family of a poor to remain poor or going more towards poor or uppers or a family or a household who is you know around the poverty line or just above the poverty line they do not enter the poverty line. Having said that, the last one is leadership and governance because finally health education, you know all these things are should be decision on all these things should be taken by the government.

This is kind of a primary sectors where the government's intervention is very, very important and the government should take the basic decisions and the primary decisions in terms of regulations, in terms of laws, in terms of where evaluations you know bringing in different schemes wherever dump or market you know the private market fails to bring the efficiency or ensure the efficiency.

So it is government role basically because the private organisations will have their profit-making ideology, will have their own ideologies you know or not everybody have will have a social responsibility and that is why the government is trying to bring them under corporate social responsibility CSR and all. So that you know wherever where the government thinks that you know, they cannot reach, so private can be brought in so.

Wherever the private thinks that they can avail some extra benefits from the government so they try to work together kind of in a win-win scenario. So it is like the corporate social responsibility is not basically a PPP, but it is a kind of initiatives taken by the private organizations to increase

the reputation to be in the good book with the government that we have a social these things you know. So these all decisions are taken by the government.

So the leadership and the governance is very important to ensure that how this entire health financing, the health budgeting will walk out you know and eventually if you see that when we have these budgets, the national budgets one important very important component is this health budget. So you know because health is responsible to develop our human capital for a particular country and how the country is investing you know as a policymaker as a nation builder how they are investing that matters a lot you know.

So therefore all these six building blocks, their prime idea is universal health coverage universal health coverage. This says that each and every individual should be insured with promotive, preventive, curative, rehabilitative and palliative health care. Promotive is an awareness generation you know this campaign center. Preventive is when you know immunization programs you know giving IFA tablets to the pregnant women or women, that iron, folic acid tablets.

So that they do not fall anemic. So these are the preventive measures or regular checkup, eye camps, health camps. Curative is when a person falls ill, then the treatment process you know that is curative. Rehabilitative is after the treatment process is almost over you know the rehabilitation is taking place there the rejuvenation you know it can contain the trauma management.

It can contain the simple physiotherapy you know the mobility improvement programs and then the palliative health care palliative by definition, it is not actually reduce the you know or improve the health status but it reduces the pain. Especially you know the palliative health cares are associated with the critical cases you know when there can be extreme cases when life-threatening cases cannot be improved in terms of their health status.

But the pain can be reduced you know so and it is individual level as well as the family level and to ensure this for everybody, to end at you know where that both the accessibility and

affordability is good or with the highest best of the quality as possible. It should be extended or can be extended or the government has to think over what should be the health financing schemes you know so or how they are going to finance these particular causes or this particular treatment processes.

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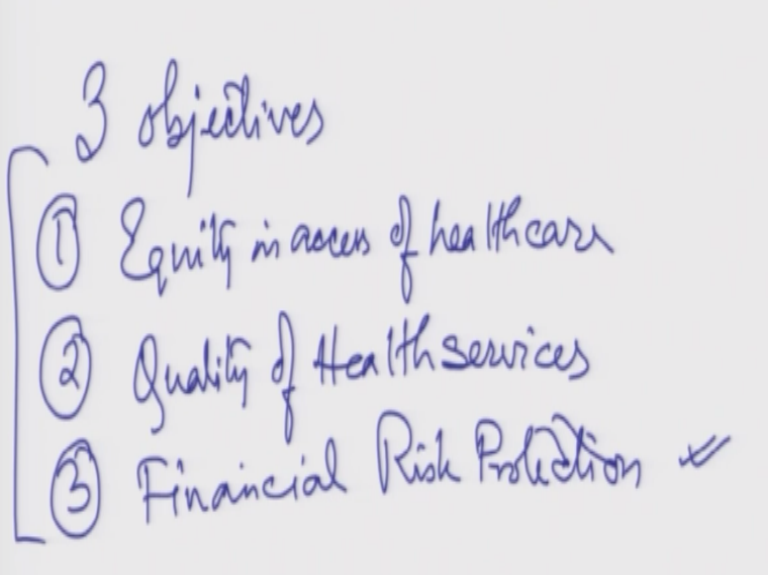

There are 3 related objectives primarily under this universal health coverage. The three related objectives are 1 equity in axis of health care, number 2 quality of health services, number 3 financial risk protection. So it is of course talked about the health financing where the 1 is accessibility and other one is quality, the first one is accessibility the second one is quality and the third one is affordability. These 3 are the basic objectives under universal health coverage.

It has been brought by the World Health Organization in the year of 1948, then came the Alma-Ata Declaration in 1978 you know and then all these countries you know slowly merged to have a basic goal based program that is known as Millennium Development Goal, which had a set of targets till 2015 Millennium Development Goal and then it moved to sustainable development goal.

After failing or achieving this Millennium Development Goal, the development programs are moving more towards the sustainability. So it is more of a sustainable development goal now where people are talking about the inclusiveness mostly you know that the health, the education,

the poverty, the income generation should be and all stratum of the population should be included in them.

Such as there should not be any gender differential, there should not be any age differential, inclusiveness in terms of these elderlies, inclusiveness in terms of geographical boundaries, in terms of you know reducing the rich-poor gap and all this. So why health financing, it is certainly because we have to ensure affordability as well as accessibility and if like say affordability if we talk about a particular individual then at say it is it is at the micro level.

But if we are talking about the government or to the states or to the country as whole, then it is a macro level and not only that, that affordability will ensure that how best will be the services provided by my public sector hospitals, all right. So I can maybe through my insurances and all, now I have affordability to pay, but the public sector hospitals are really, really poor. So it is not only from the patient's perspective or the potential patient's perspective, but it is also from the government's perspective.

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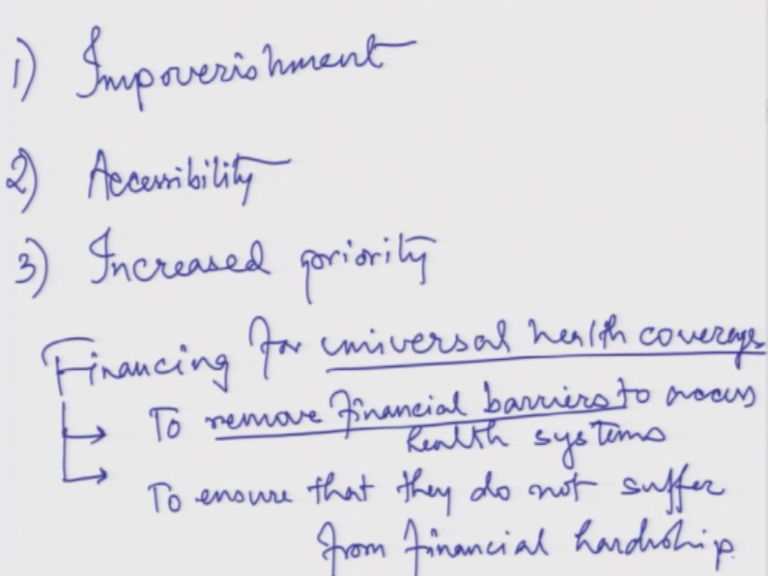

Secondly is that with this affordability, the first thing is that not only the first thing reduces is impoverishment not only affordability because this affordability with the you know the low payment or low treatment cost, what happens is that impoverishment comes down, the poverty

level comes down or they do not fall into the vicious circle of poverty, a person who pays though you know.

The one of the largest causes of poverty in India or in the developing country has been identified as the health causes you know funding the health causes. That is why even the schemes ESI, ESR, RSBY, they are targeting those people who are within formal sector, say the garages, the restaurants, the street vendors you know all these the cart pullers. At the same time, they not only give them a coverage, but also they cover their transportation cost or you know loss of income, because they are availing a health services.

So that this associated cost is also taken care. It is not about just the cost they are paying for against the treatment or even if it is you know the coming to a city from a rural area, even if it is the treatment cost is very, very low just the medicine cost and that too very minimal, but coming for 2 or 3 people from rural area to the urban area by transportation losing a day's income or 2 days or 3 days' income is a massive cost for them.

The opportunity cost is really, really high you know and if it contains for a longer time and if one person you know unfortunately cannot go for work anymore and they have to you know be brought to the city or to a bigger health institution, then they are losing a lot of money and then that can cause one you know bread earner is already gone and then you know he is incapable or she is incapable to work anymore.

And then with this additional cost the impoverishment is guaranteed in most of the cases in a typical rural phenomena in any underdeveloped country. So the first thing is that impoverishment yeah, so with the affordability. The second is that it also increases the accessibility, because if the government is covering for their health, for their transportation, for their loss of income, then they are ready to access the health Institute or hospital which is maybe 80 kilometers away.

And then otherwise they would not come. I came across the case that in a particular village which was very remote and there was a middle-aged or close to elderly person who was paralyzed after a stroke and after he was paralyzed once he was taken to the nearby district

hospital, which was you know not less than 70-80 kilometers from their home and when he was taken for a few days for the treatment and nothing really improved.

And then you know he had to be taken back to his own village and then nobody bothered to you know continue with the treatment. No health camp was there, no treatment facility was there or the treatment facilities did not have enough equipped, so that they can treat that particular, so that elderly person was really out of the health care and then coming to that this plight, then an organization they decided.

This is basically under the University where I teach. So they basically decided that they will bring up you know a health camp in that village, but when the health camp was organized, just few days before that, that person passed away and almost without any treatment, because there was no transportation, their family did not have money to take him or to hospitalize him for a longer period of time.

Or they could not afford to you know dedicate a person a family member who will be completely there taking care of him. So thus accessibility also increases if the individual is covered against these health costs as well as the government has enough money or the government itself is contributing enough money towards the health budget, so that you know regular health camps can be organized or number of primary health centers can be increased.

Or more of these stuffs can be increased in a particular primary health center or the ambulances can be devoted in different villages. So that it improves the accessibility. Third is increased priority given to health because once the government or you know they are sensitized that you take the person to the healthcare system, treat him well or the government tries to sensitize pushes or you know injects a lot of money into that.

Then the people in general they start thinking that, okay it is definitely important that you know the person really gets the proper care. So the health seeking behavior slowly changes and improves. Therefore, the financing for universal health coverage has 2 main components.

1 is to remove financial barriers to access health systems and number 2 to ensure that they do not suffer from financial burden or financial hardship. Now this 2 even if they sound similar they are different. Why they are different, because in 1 point we are thinking about under universal health coverage that remove financial barriers. That means even if a person can afford, if you know they would not go to a doctor or a hospital or proper treatment facility paying by themselves.

Yes they do not find that, it is important you know the increased priority. The priority is never realized. So if they think that, oh it is unnecessarily number 1, number 2 they also think that this is unnecessary to pay for these health insurances right. So the financial barriers that the protection, the risk pooling ideologies are never. They are still in the rural areas or the people who for whom having an insurance is a luxury, yes.

So what happens is that if the government pays for them if there is a scheme or if there is a community health insurance scheme where the contribution is very low then that financial barrier to access, now we are bringing this affordability and accessibility to access, it comes down. The next one is that financial hardship which directly talks about the poverty that because of these payments treatment cost they should not be impoverished.

1 is that health seeking behavior, another 1 is even if they are going, they should not be impoverished. So these are the 2 idea, 1 is the cost and 1 is the effect. So health financing levers to you know universal health coverage in 3 ways.

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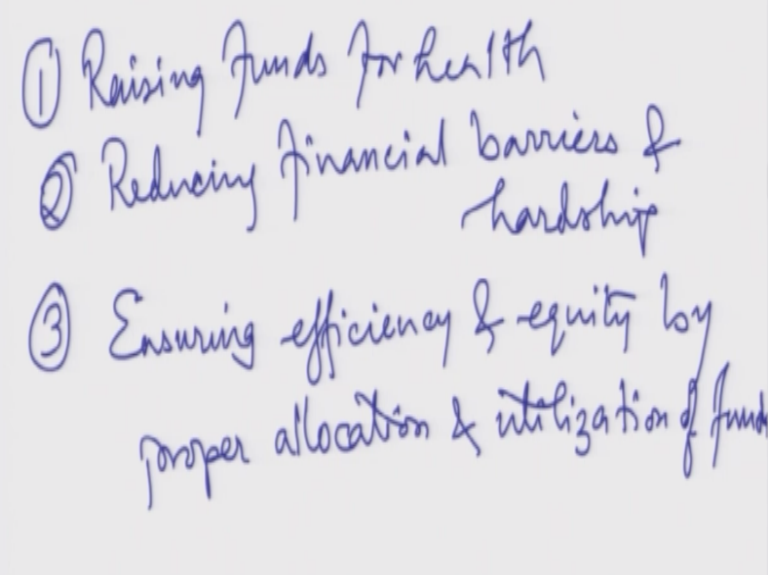

So 1 raising funds for health, 2 reducing financial barriers and hardship and 3 ensuring equity and equality, ensuring efficiency and equity by proper allocation and utilization of funds, yes of funds. So these are the basic 3 parameters which under universal health coverage, health financing tries to you know walk on. So in terms of these health financing institutions, they are both in the micro level and macro level.

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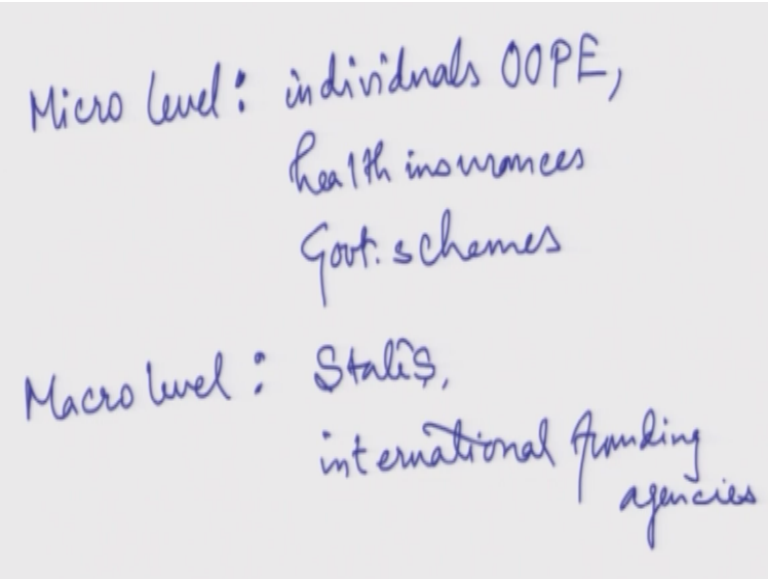

As I said in the micro level, it is individual's out-of-pocket expenditure, OOPE. Number 2, this can be their private insurance or so I will just say health insurances. It can be both private and community health insurance or public health insurance, any type of health insurances,

government schemes, etc. These all are individual level right. At the macro level, it is the state's international funding agencies like say World Bank World Health Organization UNICEF yes.

So these are the 2 macro and micro level funding organizations now which are the basic primary health care system financing sources.

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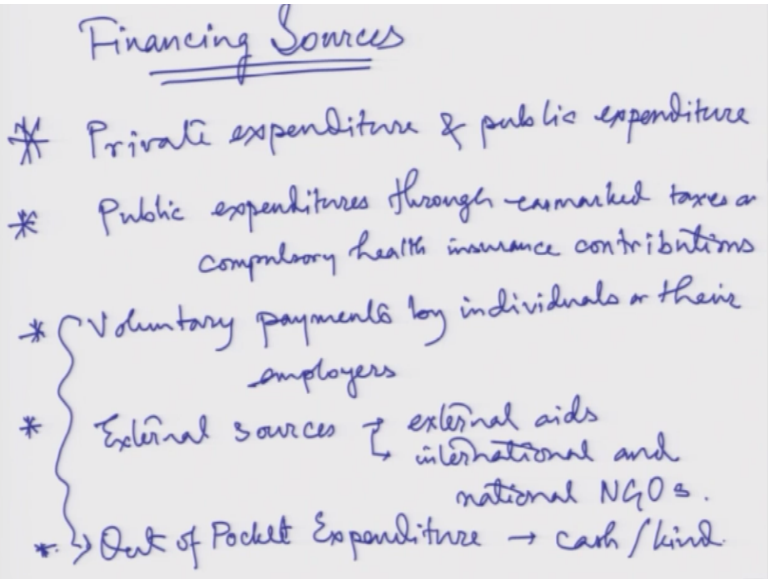

So the financing sources like say when we talk about both the micro and macro level, the financing sources the first 1 can be private expenditure like it can be financing services can be divided into 2 groups. 1 is private expenditure and the public expenditure right. So 1 comes from the private sources. It can be at the individual level. If I am paying for my health that is a private expenditure.

If somebody else paying not the government for my health this is a private expenditure. If I am paying through some health insurance schemes, private health insurance scheme is a private expenditure. If the government is paying for me through taxes, the government is paying for me under some schemes or some health insurance schemes, then it is a public expenditure. So the most important 1 is the public expenditure.

What government pays through your marked taxes or compulsory health insurance contributions yes. Number 3 is voluntary payments by individuals or their employers. It can be private health

insurance, it can be the employer provided health insurance, it can be direct out-of-pocket expenditure anything, but broadly these are voluntary payment. What government does it is primary because they have already given the fund?

So you are not paying anything, the government has already paid. So it is compulsory or if you are under some schemes and which targets that hundred percent coverage say central governmental scheme where whenever you are a central government employee in whichever level you were covered under that the health insurance scheme or if the government is targeting with some say Rashtriya Swasthya Bima Yojana, RSBY, which is a stress or a ESIS, you know Employers-Employees Security Insurance Scheme. So all these are basically compulsory health schemes.

So if I fall under that particular category, I qualify for those to be registered under those schemes, so I have to. The fourth one is that external sources. These are basically external aids you know or the supports from international organizations or it can be even a non-governmental organizations, national level as well so it can be international and national or non-governmental organizations yeah and then the last one can be you know out-of-pocket expenditure.

If I keep it separately from here now this can be through cash as well as or kind you know. Say for a marginal farmer who does not have any savings, so if they have to go to seek treatment from a private health providers, whoever it is if not government, you know they have to pay something. So often the pay in kind. They do not pay in cash. So because they do not have cash, that simple; they are so poor and so these are the basic financial sources you know.

These voluntary payments are mostly talking about these insurances. So this is all in terms of the sources. Thank you.