Deep Dive – Health Financing

Health Financing

PHCPI Primary Health Care Performance Initiative
Health Financing is a key system-level characteristic.

**System**
- Governance & Leadership
  - Primary Health Care Policies
  - Quality Management Infrastructure
  - Social Accountability
- Health Financing
  - Payment Systems
  - Spending on Primary Health Care
  - Financial Coverage
- Adjustment to Population Health Needs
  - Surveillance
  - Priority Setting
  - Innovation & Learning

**Inputs**
- Drugs & Supplies
- Facility Infrastructure
- Information Systems
- Workforce
- Funds

**Service Delivery**
- Population Health Management
  - Local Priority Setting
  - Community Engagement
  - Empanelment
  - Proactive Population Outreach
- Facility Organization & Management
  - Team-based Care Organization
  - Facility Management Capability & Leadership
  - Information Systems Use
  - Performance Measurement & Management Outreach

**Outputs**
- Access
  - Financial
  - Geographic
  - Timeliness
- High Quality Primary Health Care
  - First Contact Accessibility
  - Continuity
  - Comprehensiveness
  - Coordination
  - Person-centered
- Availability of Effective PHC Services
  - Provider Availability
  - Provider Competence
  - Provider Motivation
  - Patient-provider Respect & Trust
  - Safety
- Effective Service Coverage
  - Health Promotion
  - Disease Prevention
  - RMNCH
  - Childhood Illness
  - Infectious Disease
  - NCDs & Mental Health
  - Palliative Care

**Outcomes**
- Health Status
- Responsiveness to People
- Equity
- Efficiency
- Resilience of Health Systems

Social Determinants & Context (Political, Social, Demographic & Socioeconomic)
What can you learn about Health Financing from the Improvement Strategies?

**SECTION 1**

**What is Health Financing?**

*What it is:* Learn more about the core principles and goals of Health Financing and its role in PHC improvement.

**SECTION 2**

**How do I assess my performance?**

*What it is:* Learn more about some indications that improvements might be relevant in your context and what you can achieve by focusing improvements on Health Financing.

**Vital Signs Profile:** Use the information in your Vital Signs Profile to help determine relevant areas for improvement.

**SECTION 3**

**How do I get started?**

*What others have done:* Learn from implementation approaches and challenges in other country contexts.

*How to succeed:* Consider your country context, what elements are not functioning properly, and what needs to be in place to support effective improvements.

*What to ask:* Use guiding questions to help determine how you might begin to plan and enact reforms in your country context.

*Guided by the above considerations and relevant resources, start to build out an improvement plan with your CE lead and/or focal point*
What can my country achieve by focusing on Health Financing?

Goals & Outcomes

✓ Health financing impacts the entire health system’s performance, including the accessibility, quality, and efficiency of primary health care.
How do I assess my performance?

Use the information in the Vital Signs Profile to help determine relevant areas of improvement.

Completion of a Vital Signs Profile gives countries a holistic understanding of PHC strengths and weaknesses, a critical first step in the measurement for improvement pathway.
What are other indications that Health Financing might be an appropriate area of focus?

**Other Indications**

The functions of effective Health Financing (listed below) are poorly functioning or not in place:

- **Tracking** of expenditure on PHC in a standard manner
- **Fund** generation for health and move towards greater reliance on public (compulsory) sources
- **Ensuring** of low out-of-pocket expenditure for primary care services
- **Consideration and alignment** of incentives of different provider payment methods for PHC
Health Financing - What is it?

Health financing refers to how resources are raised, pooled and allocated to ensure that each person has access to health services of good quality without financial hardship.

1. Avoid out-of-pocket payments as a financing source.
2. Have broad compulsory pre-payment for health care (including PHC), based on ability to pay.
3. Use targeted subsidies to ensure access and financial protection for disadvantaged populations.

MAKE MOST EFFECTIVE USE OF FUNDS
Allocate funds to providers based on their performance and the health needs of the population they serve.

Key considerations:
- Which priorities?
  - Funds should be allocated to priority services and populations.
- Which providers?
  - Purchase services from providers who can deliver good quality at the right level of the system.

PROTECT PEOPLE FROM FINANCIAL RISK
As a general guideline, PHC services should be funded by public funds with minimal cost-sharing for beneficiaries.

Health systems should strategically decide what to buy and from whom, and how to buy services that meet a population’s health needs.
What is Health Financing?

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Health financing impacts the entire health system’s performance, including the accessibility, quality, and efficiency of primary health care.

Why it’s important

- **Protect people from financial risk**
  PHC services funded with public funds helps to minimize cost-sharing and prevent catastrophic spending for beneficiaries

- **Make effective use of funds**
  Enables health systems to direct resources towards providers and services in response to a population’s health needs

- **Improve quality, equity and efficiency of PHC**
  Efficient health financing (specifically from the public sector) provides access to quality PHC even for marginalized populations who initially do not have the capacity to access services
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Health financing impacts the entire health system’s performance, including the accessibility, quality, and efficiency of primary health care.

**Key steps and considerations**

- **Allocate funds** to priority services and populations
- **Purchase services from providers** who can deliver good quality at the right level of the system
- **Create incentives for providers** to promote quality, efficiency, access, and equity
- **Promote provider autonomy**, and hold them accountable for their performance and effective use of funds
Visual aid: Health Financing

Health Financing refers to how resources are raised, pooled, and allocated to ensure that each person has access to health services of good quality without financial hardship.

**PROTECT PEOPLE FROM FINANCIAL RISK**

As a general guideline, PHC services should be funded by public funds with minimal cost-sharing for beneficiaries.

1. Avoid out-of-pocket payments as a financing source.
2. Move toward compulsory pre-payment for health care (including PHC), based on ability to pay.
3. Use targeted subsidies to ensure access and financial protection for disadvantaged populations.

**MAKE MOST EFFECTIVE USE OF FUNDS**

Allocate funds to providers based on their performance and the health needs of the population they serve.

- **Key considerations**
  - Which priorities? Funds should be allocated to priority services and populations.
  - Which providers? Purchase services from providers who can deliver good quality at the right level of the system.
  - Align incentives: Create incentives for providers to promote quality, efficiency, access, and equity.
  - Provider autonomy: Promote provider autonomy; hold them accountable for their performance and effective use of funds.

Health systems should strategically decide what to buy and from whom, and how to buy services that meet a population’s health needs.
Deeper dive: How can we ensure people can afford PHC?

While there are many strategies for ensuring that people can afford PHC and are protected from financial hardship, here are **three strategies policymakers and planners can introduce:**

- **Low out-of-pocket payments**
- **Prepayment and pooling**
- **Active identification of vulnerable groups**
Deeper dive: How can we ensure people can afford PHC?

**Low out-of-pocket payments**

**What it is:** Minimize out-of-pocket payments as a source of health financing and reduce cost-sharing for beneficiaries

**Common qualities:**
- Free services for defined populations
- Free high-priority services for all
- Health system reliance on small fixed cost-sharing payment amounts rather than proportional cost-sharing

**Prepayment and pooling**

**What it is:** People are asked to make financial contributions to the health system before they need health care

**Common strategies:**
- Health systems collect household contributions in advance in a predictable manner
- Contributions are based on households’ ability to pay
- Prepayments are compulsory

**Active identification of vulnerable groups**

**What it is:** Target vulnerable groups and fund health care coverage to expand access to care

**Common strategies:**
- Identify eligible households based on factors such as income, location, ethnicity, gender, and disease
- Exempt people from user fees at the point of care
- Individual “contributions” paid by government
### Deeper dive: How can we ensure people can afford PHC?

#### Low out-of-pocket payments

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<td>• Ensures that people can afford PHC services</td>
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<td>• Encourages population use of needed PHC services</td>
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<tr>
<td>• Produces equitable health outcomes</td>
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<table>
<thead>
<tr>
<th>Common challenges:</th>
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<tbody>
<tr>
<td>• Partnership buy-in</td>
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<tr>
<td>• Supporting increased demand without compromising quality</td>
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<td>• Long term sustainability</td>
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</tbody>
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#### Prepayment and pooling

<table>
<thead>
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<th>Common benefits:</th>
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<td>• Funds are redistributed and costs are cross-subsidized across the population to ensure health care is affordable for all</td>
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<table>
<thead>
<tr>
<th>Common challenges:</th>
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<tr>
<td>• If voluntary health insurance is also available, it may exclude vulnerable populations, divert skilled workers from government facilities, and lead to an increase in health care costs</td>
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#### Active identification of vulnerable groups

<table>
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<th>Common benefits:</th>
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<tr>
<td>• Increases health care access for hard to reach groups</td>
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<table>
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<th>Common challenges:</th>
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<tr>
<td>• Facilities are not capacitated to handle more patients</td>
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<tr>
<td>• Inadequate funding for facilities to offer free services</td>
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<td>• High administrative costs to effectively target vulnerable groups</td>
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**Active identification of vulnerable groups**
Planning for improvement in your context

The **guidance and recommendations** described within the Health Financing module are not intended to provide a one-size-fits-all solution.

The **considerations** involved in planning and implementing strategies will depend on your local context.

**Sample activities**

- **Consider** implementation challenges and approaches in other country contexts
- **Understand how the features of your health system**, such as how decisions get made and the role of the private sector, will impact your improvement plans
- **Identify** key elements that need to be in place to support improvements
- **Use the guiding questions in the Improvement Strategies** to spur thinking about Health Financing in your country context and stimulate ideas for improvement
- **Start to develop** an improvement plan
Learn from what others have done

MakueniCare | Kenya
Raising and pooling revenues to increase access to primary health care

Capitated Payment System | Indonesia
Capitation for primary care with performance adjustments
Kenya: At-a-glance context

- Sub-Saharan Africa
- Lower-Middle Income
- East Africa
## Kenya: At-a-glance context

<table>
<thead>
<tr>
<th>GDP per capita ($PPP)</th>
<th>Human Development Index</th>
<th>Life expectancy at birth</th>
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<tbody>
<tr>
<td>$3,286K</td>
<td>0.59</td>
<td>67</td>
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<table>
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<tr>
<th>Percentage of population living in rural areas</th>
<th>Percentage of population living under $1.90 per day</th>
<th>Population</th>
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<tr>
<td>73%</td>
<td>37%</td>
<td>49.7M</td>
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Learn from what others have done: Kenya

Background

- **Poorly funded County-owned health centers** in Makueni, Kenya resulted in out-of-pocket costs for primary care services
- A health coverage scheme called MakueniCare was implemented in 2016 to expand Makueni residents’ access to equitable, affordable, and quality primary health care.

Approach

The coverage scheme aimed to minimize out-of-pocket spending on prioritized PHC services at Makueni-owned health centers using:

- **Pooled funding** from government, donors, and households
- **Gatekeeping mechanisms** to encourage utilization of lower-cost PHC
- Payment to providers on a fee-for-service basis to incentivize high-priority PHC
Learn from what others have done: Kenya

Strengths

- **Mobilizes** resources for health
- **Ensures** that people do not face burdensome costs when obtaining PHC
- **Promotes** efficient and high-quality PHC
Indonesia: At-a-glance context

- East Asia & Pacific
- Lower-Middle Income
- Indonesian-speaking country
## Indonesia: At-a-glance context

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Learn from what others have done: Indonesia

Background

• Starting in 2014, Indonesia launched Jaminan Kesehatan Nasional (JKN), a new national health insurance system that merged different existing public insurance schemes and expanded coverage to the informal sector.

• To accompany JKN, a new capitated payment system for PHC providers was implemented to promote efficiency.

Approach

Capitation is intended to cover a basic package of primary care services, and the base rate for this capitated payment is determined by facility characteristics and adjusted for geographic location.

Capitation payments are linked to indicators that measure success and PHC facilities that fail to meet specified benchmarks experience financial allotment lowered by a maximum of 10%.
Learn from what others have done: Indonesia

- **The PHC information system is weak**, making it difficult for policy makers to continuously monitor provider performance.

- **Difficulties with health worker retention and weak supply chains** have affected the ability of remote facilities to provide the expected set of services.

- **Allotted payments for providers in remote areas** have been **considered inadequate** given high fixed and transportation costs in those areas.
Questions to ask to help you get started

The specific considerations involved in planning and implementing strategies will depend on your local context.

The questions listed may be a useful starting place to determine how you might begin to plan and enact reforms in your context.

Sample questions

- How much is the country spending on health overall? Does the country need to increase spending on health in general?
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Sample questions

☐ How much is the country spending on health overall? Does the country need to increase spending on health in general?

☐ How much of current health expenditure is spent on PHC (primary care services and public health interventions), compared to secondary or tertiary medical services?
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Sample questions

- How much is the country spending on health overall? Does the country need to increase spending on health in general?
- How much of current health expenditure is spent on PHC (primary care services and public health interventions), compared to secondary or tertiary medical services?
- Are people protected from financial hardship? Which population groups are most at risk of catastrophic health expenditures?
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- □ What are the current provider payment methods and financial incentives for providers delivering PHC?

- □ **What is the capacity of purchasing agencies to set up an aligned mix of payment methods?**
## Recap: Health Financing

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