



Paying for Healthcare



**BEST
HEALTHCARE
PAYMENT
METHODS**



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Financing – the national health objectives:

National health policies focus on:

- **Improving** the population's health, and
- **Preventing** diseases and health hazards
- The **scope of objectives** of the national health system is eventually **limited by** the extent to which they are **affordable**
- **Scarce national resources** need to be optimized and efficient.

- Depending on the **choice** of financing mechanisms and sources, the achievement of national health objectives will be **independent of national budget constraints.** قيود الموازنة العامة
 - The **mobilization** of resources through general revenue **تعبئة الموارد من خلال الإيرادات العامة** requires that the **target group** to which resources are **allocated** and health **expenditure** incurred be **the entire population.**

Affordability



Affordability القدرة على تحمل التكاليف

- The extent to which something is **affordable**, as measured by its cost relative to the **amount that the consumer is able to pay**.
- Affordability needs to be assessed also in relation to the:
 - **capacity** of individuals, **employers** and other public programs, such as **social insurance** schemes.
- In the end, politicians must determine **priority areas of the national health system at the expense of others**.

The achievement of national health objectives is eventually achieved through :

- The **selection** of an adequate method of financing,
- The **choice** of an effective and efficient organizational delivery structure for health services,
- Payment approach for **health providers**.
- The regulatory framework and programs of public education.

The **method of financing** consists of the way in which financial resources are **mobilized** and how they are **utilized**.

It relates to different **factors** including:

- ✓ • the approach to **mobilize** financial **resources**; تعبئة الموارد
- ✓ • the institutional and organization **delivery structure**;
- ✓ • the **allocation of resources**; تخصيص الموارد
- ✓ • the Mechanisms for **paying and incentive** method for health providers;

The main **methods of financing** for health care include :

1. The **national health insurance** system,
2. General **revenue**, الإيرادات العامة
3. **Private insurance**,
4. **Out-of-pocket** payments. المدفوعات من الجيب

The choice of method will impact on:

- Who bears the financial burden,
- The amount of resources available, and
- Who manages the allocation of resources.

▪ Experience has shown that, without strategic policies and focused spending mechanisms , the **poor and other ordinary people** are likely to left without care.

Equity takes place at different levels:

- Equity in financing,
- Equity in access to health care,
- Equity in level of health status ,and
- Equity in terms of risk protection offered.



Once resources are **mobilized**, take in consideration the following:

- a **criteria** for their **allocation** across **categories of health services**,
- **prevention** programs and
- **infrastructure** development
- **payment** methods for health care providers

The set of allocation criteria must be **publicly acceptable**.



The approach used to **pay health providers** and to create **incentives** for them will have a great **impact** on :

- The cost,
- Efficiency and
- Quality of health services provided.

The two main **elements** of the **payment** system include the **method** of payment and the **amount** of payment per unit basis.

Different **payment methods** for health providers exist.

Health financing policies should have the ability to:

1. Improvement of health **outcomes**,
2. Provision of **financial protection**,
3. Ensuring **consumer satisfaction** – in an equitable, efficient, and financially sustainable manner.
4. **Providing policy-makers** at global and country levels **with the tools** by providing an overview of health financing policy in developing countries.

Health service financing sources

➤ Private expenditure

➤ Public expenditure : central and local

government funds, where services are paid for by taxes and voluntary payments.

➤ External aid: aid program and international nongovernmental organizations

Health financing functions

❖ Revenue's collection : is the way health systems raise money from households, businesses and external sources.

❖ Pooling deals with the accumulation and management of revenues and it defined patients' population and geographic location to which revenues and expenses are determined.

❖ Purchasing refers to the mechanisms used to secure services from public and private providers, and it refers to the many arrangements for buyers'(patients) health care services to pay health care providers.



Resource mobilization: how the health system generates and collects revenue



Pooling: combining financial resources from multiple sources to share the financial risk of paying for healthcare



Purchasing: mechanisms to pay providers for healthcare services

Options for financing health

1. Taxed –based health financing
2. Social health insurance financing
3. Private health insurance financing
4. Direct payment health financing

It is possible to combine two or more methods of financing.

Out-of-Pocket Payment

Example

Fred Farmer broke his leg in 1898. His son ran four miles to get the physician, who came to the farm to splint the leg. Fred gave the physician a couple of chickens to pay for the visit. His great-grandson, Ted, who is uninsured, broke his leg in 2008. He was driven to the emergency department, where the physician ordered an x-ray and called in an orthopedist who placed a cast on the leg. The cost was \$1870.



People purchase most consumer items, through direct out-of-pocket payments.

This is not the case with health care. Economists argue that health care is not considered just another typical consumer item.

While the purchase of a DVD player is a matter of choice and the price is known to the buyer, the need for and cost of health care services are unpredictable. Most people do not know if or when they may become severely ill or injured or what the cost of care will be

Example

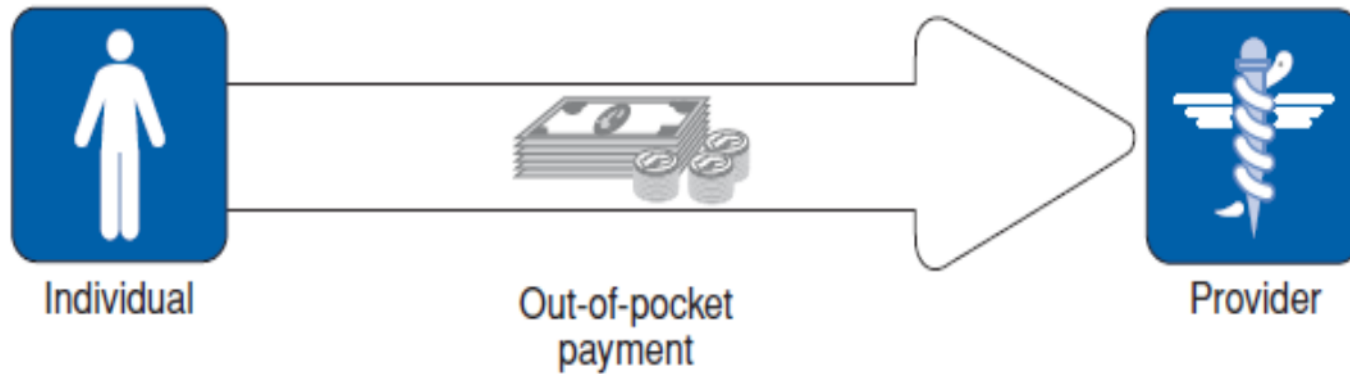
Jake has a headache and visits the physician, but he does not know whether the headache will cost \$100 for a physician visit plus the price of a bottle of aspirin, \$1000 for an MRI, or \$70,000 for surgery and irradiation for a brain tumor.

Patients need to rely on physician recommendations as people in need of health care may have little knowledge of what they are buying at the time when care is needed.



The unpredictability of many health care needs makes it difficult to plan for these expenses

The medical costs associated with serious illness or injury usually exceed a middle-class family's savings



Direct payment (Out of pocket) health financing system

- Fees of health care are received **directly from patients.**
- What **supports the idea** of imposing fees is that it **prevents misuse of health services** and makes beneficiaries recognize the **actual cost and provides incentives** for the health care providers on assumption that the collected **fees remain under their control.**

- This system is characterized by great degree of inequity and prevent poor people and those with chronic diseases from the appropriate care if these cannot provide the requested fees.
- Fees should not be the only source or even the main source of fund if the aim of health care system is to provide health care for all people.

Steps Toward High Value Care

1

- **Understand** the **benefits, harms, and relative costs** of the interventions

2

- **Decrease** or eliminate interventions that **provide no benefits** and/or may be harmful

3

- **Choose** interventions and care settings to **maximize benefits, minimize harms, and reduce costs**

4

- **Customize** a care plan that incorporates patient **values and concerns**

5

- **Identify** system level opportunities to **improve outcomes, minimize harms, and reduce waste**

- Health care is the foremost example of **asymmetry** **of information** between providers and consumers

REMEMBER:

The **demand** for health services is **partially** **involuntary** and is often **physician-** rather than consumer-**driven**

