



**Kurdistan Regional Government – Iraq
Ministry of Health**

**The International Congress on Reform and
Development of the Health Care System in
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Options for KRG Health Sector Financing

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Health Financing

- **Definition:** the system used to collect funds and then allocate them to support public health and the health care delivery systems.
- Health financing is a central determinant of a viable health system.

Objectives of Health System Reform

- Improve health status of the population.
- Improve quality of care and consumer satisfaction.
- Enhance equity & access.
- Assure financial protection.
- Improve efficiency and control costs.
- Improve health worker satisfaction.

Preface

- The system for provision of health care and its financing is a key issue faced by all countries.
- The selected system reflects country's values as well as its social priorities and economic system.
- This was discussed in the “first and second conference of health sector reform in Kurdistan region” in September 2004 & April 2005.
- The MOH calls those concerned about the health sector in addition to citizens, representatives of the civilian community, and vocational & political organizations to express their ideas before policies are implemented.

Problems Faced by Health Sector in Kurdistan Region

1. The health care system suffered catastrophic deterioration in the era of the previous regime & this resulted in increases in the neonatal, childhood & maternal mortality rates.
2. Decline in life expectancy rates in the beginning of the 90th of the last century.
3. Double disease burden (communicable & non-communicable diseases).

Key Challenges Faced

- ❖ Continuous deterioration in the level of general health in the 1980s and 1990s.
- ❖ Massive increases in poverty & unemployment.
- ❖ Deterioration of nutritional status.
- ❖ Inadequate services for waste disposal & provision of safe water supply.
- ❖ Regression of educational levels.
- ❖ Spread of non-healthy lifestyles.

Urgent Priorities

- ✓ Meeting urgent needs and improving of services.
- ✓ Strengthen administration.
- ✓ Rehabilitate of health facilities (hospitals & PHCs).
- ✓ Improve training & human resource development.
- ✓ Create sustainable health care financing.
- ✓ Mobilize need resources: this is crucial to achieving all other objectives..

Background of Financing Health Care in Kurdistan

- ❖ Comprehensive health care financed by the general governmental income has been in existence for many decades in Iraq & Kurdistan.
- ❖ After 1992, KRG tried to fund & support the health sector, with its very limited resources.
- ❖ From 1992 to 1996, the health services were supported by several UN agencies (WHO, UNICEF) and NGOs belonging to KRG.

Background of Financing Health Care in Kurdistan *(Cont.)*

- ❑ At the end of 1996, & with the implementation of oil for food program (OFFP); 13% of the total Iraqi oil revenues was saved for Kurdistan. Health care services were funded from these funds as well as from continuous KRG support.
- ❑ OFFP continued for until the end of the 2003. (7 years)
- ❑ Since 2004 there was an annual budget (17%) allocated by Iraqi Government for KRG.
- ❑ Since the 1990s, patients have paid some fees for curative services provided in PHCs and hospitals.

Options for Financing Health

1. Tax-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 of these options.

تطوير وإصلاح النظام الصحي في إقليم كردستان

Tax-Based Health Financing System

- The existing health financing system in Kurdistan is similar to tax-based financing system.
- The only difference is that the governmental financing of health sector depends on oil revenues rather than taxes.
- In the future taxes are expected to contribute a greater percentage of the total governmental income.

Advantages of Tax-Based HF System

- Easy to efficiently collect funds & direct them into different channels.
- Relatively stable source for financing health care.
- Characterized by equity in dealing with different population groups who have taxable income levels assuming the taxation system is progressive (i.e. the rich people pay more than the poor people).

Advantages of Tax-Based HF System (Cont.)

- In Kurdistan, this method doesn't require new systems or facilities:
 - the taxation system as well as the system directing & distributing resources by the Ministry of Finance in coordination with MOH are in place.
- This system matches with peoples' expectations of access to free health care provided by the state.

Disadvantages of Tax-Based HF System

- Difficult to obtain adequate resources from taxes or general governmental income to provide for all health budget needs.
- Tax based system may be characterized by bureaucracy, inefficiency & limited options.
- System may create geographical inequities.

Social Health Insurance Financing System

- ❖ Main alternative to tax-based health financing.
- ❖ Worker & governmental contributions are paid directly to the social insurance fund.
- ❖ Contributions are obligatory.
- ❖ Similar to tax based system but:
 - Contributions are more transparent (direct relation between what is being paid & health care entitlements)
 - There may be many health insurance funds (freedom of choice).
 - People may pay different levels of contributions to secure different entitlements or benefit packages.

Social Health Insurance Financing System *(Cont.)*

- ❖ Conversion to this system in Iraqi-Kurdistan will require establishing new facilities and procedures which imply many difficulties & costs.
- ❖ Although it will be easy to collect contributions from governmental employee & some large firms, collection of contributions from small businesses & the self-employed will be much more difficult.

Private Health Insurance Financing System

- Premiums are paid directly from employers, associations, individuals & families to insurance companies.
- Private insurance includes policies sold by commercial for profit firms, non-profit companies, and community health insurers.
- Generally private insurance is voluntary.
- In some countries private insurance may also be compulsory for certain segments of the population (for example the formal, employed sector).

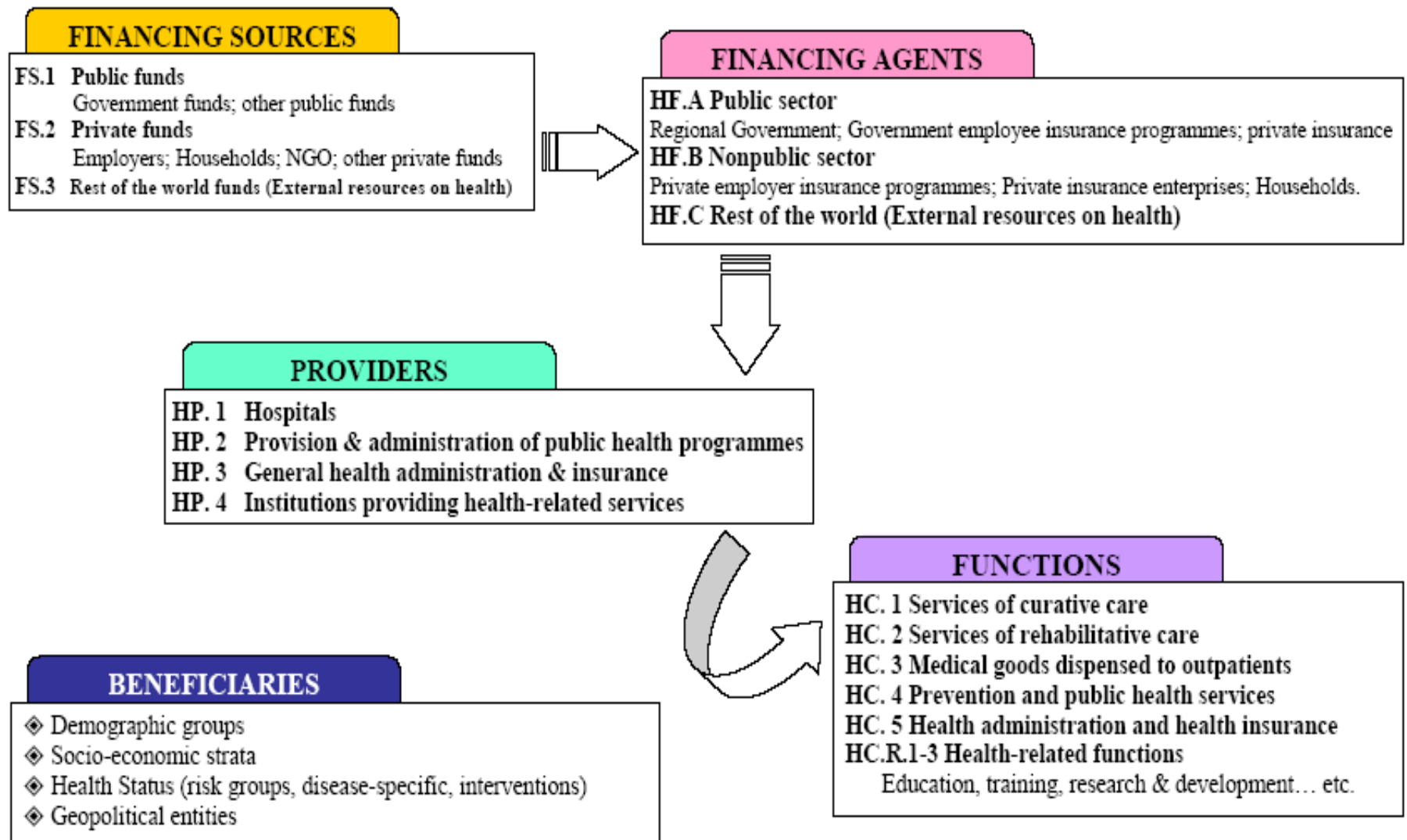
Direct Payment (Out of Pocket) Health Financing System

- Fees of health care are received directly from patients.
- The fees received from patients are one of the sources of fund for health facilities at the present time.
- What supports the idea of imposing fees is that it prevents misuse of health services and makes beneficiaries recognize the actual cost of health care, & also 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 prevents 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.

Direct Payment (Out of Pocket) Health Financing System (*Cont.*)

- ✓ The most logic question may be whether to increase the fees from the current levels to be a complementary source of funding.
- ✓ If we increase the fees to the level that is sufficient to provide important funds for health sector & prevent the usual beneficiary from misusing health care services, ***these fees will be more than the capability of poor people.***
- ✓ It may be possible to design a policy that exclude poor people from paying fees, but there is no mechanism for this purpose in Kurdistan & the exclusion policy will lead to all types of complexities & inequity.
- ✓ It may also be possible to take in consideration imposing additional fees for providing additional services in hospitals like staying in special rooms...etc
- ✓ It may be possible also to collect additional fees from private patients using public health services although it implies administrative complexities

Financing flows in health systems: NHA representation



* NHA=National Health Account

General Conclusions

- ❑ ***Comprehensive coverage of all people*** is one of the main strengths of the Iraqi-Kurdistan health care system which is mandatory to keep it.
- ❑ ***The governmental allocations*** will remain the main source of health sector fund in Kurdistan for the near future.
- ❑ Need to develop other ways to mobilize funding for the health sector so that its traditional roles as well as improvements in health services like can continue:
 - Health insurance
 - Increasing current health services fees
 - Special taxes

General Conclusions (Cont.)

- ❑ The government should also concentrate on getting more income through improving administration & increasing performance efficiency.
- ❑ In the long term, it is essential to consider ***establishing social health insurance model*** and consider providing financial resources at the level of regions & provinces as a part of a wider program for achieving decentralization.

Purchasing Health Care Services

- The issue of how to finance the health care system in Kurdistan will raise very important matters & questions for discussion in the future.
- Questions will raise about:-
 - ❖ Quality & extent of health care?
 - ❖ Regulative and financial actions that would accomplish the best performance?

What Should We Purchase?

- No country in the world is able to fund all types of health care for all citizens of that country at all times.
- It's essential to differentiate between what can be provided & what the priorities are - especially in a medium income region like Iraqi-Kurdistan.
- For how long should we provide essential resources for curative treatment in health facility?
- Is it mandatory to continue providing public health services in PHCs free or this practice be discontinued?
- It is possible to reach useful answers to these questions & agree upon best options available frankly or inclusively.

How Should Expenditure be Paid?

- ✓ At the present time:
 - MOH is managing and funding all the public hospitals & PHCs in a centralized mode.
 - Budgets are allocated according to certain lines (salaries, supplies, services and maintenance..... etc).
 - No criteria are in place to evaluate outcome or performance.
 - The administrative responsibility is poor as there are no bases to evaluate performance & jobs seem secured for all those who are working in public health sector .

How Should Expenditure be Paid?

(Cont.)

- ✓ It may be claimed that the most necessary thing for health sector at the present time is making reforms & changes in these fields.
- ✓ The general direction of reform in similar countries where health services are built-in vertically is achievement of more decentralization in administrative & financial responsibilities so that they are authorized to local health facilities & also adoption to models of paying expenditures depending on achieved activities & outcomes.

How Should Expenditure be Paid?

(Cont.)

- In Kurdistan, there are strong justifications to follow the direction mentioned previously whatever is the final destination.
- It is mandatory to make primary steps in this field whatever is the future scenario.
- The initial steps are
 1. Strengthening management & developing financial skills,
 2. Decentralizing responsibilities,

How Should Expenditure be Paid?

(Cont.)

- *For near future* it is possible to start with implementing *direct payment (out of pocket) health financing system* & modify current health services fees gradually.
- In this field, the reasonable way is to start with implementing small initiatives which are easy to manage (may be in secondary & tertiary health care levels).
- *On the longer term*, it may be possible to make contract with health service providers depending on payment on bases of outcomes (social & private health

How Should Expenditure be Paid?

(Cont.)

In the short and intermediate term:

1. General hospitals & PHCs will remain the main providers for health care.
2. MOH will continue to be the main authority that purchasing these services.
3. Changes to improve administrative & financial procedures must be introduced including:
 - Criteria for performance and administrative responsibility,
 - More flexible means for budget planning and incentive system to rewards for improved quality & outcomes.

How Should Expenditure be Paid?

(Cont.)

In the long term:

1. MOH should consider contracts with public and private sectors for service provision through MOH.
2. It is also important to consider the possibility of establishing a central independent agency &/or regional councils undertaking the responsibility of purchasing health services.

Private Health Sector in Kurdistan

- There are no reliable data about the size of this sector in Kurdistan, but according to the available indicators, it has an important role.
- There are a number of private hospitals and many clinics. Most doctors working in public sector are also providing services in a private sector.
- Beneficiaries (patients) are paying directly, as still there is no private health insurance.

Private Health Sector in Kurdistan (Cont.)

Advantages:

- Increases choices available for patients.
- Helps maintain qualified workers in the region (through development of their resources).
- Increase the total available health care services.
- May provide a competition for public health sector.

Disadvantages:

- Many doctors are working in both (public & private) health sectors leads to conflicts of interest.
- The private health sector may affect the behavior of doctors, their commitments toward the public health system and ways of dealing with patients individually.

Solutions for Conflicts of Interest Between Public & Private Health Sector

- Prohibit doctors from working in both sectors, but in the absence of better working circumstances in governmental facilities, preventing many doctors from working in the public health sector will have negative outcomes.
- Pay incentives for doctors to work only in the public health sector but this may be costly.
- Organize the contribution of doctors in the private health sector in a more efficient way & may be to combine this with giving additional payments for doctors not working in the private sector.

Summary

- Is it necessary to continue funding health services provided by public sector through the general governmental revenues while we investigate establishing a social insurance system or move to adopt a mixed model in Iraqi-Kurdistan?
- Is it necessary to consider the taxes, for health sector as an additional source of funds?
- Should we examine some direct payment (out of pocket) for provided health services to increase funding for the health sector? Should current low fees be increased? Which services should be paid for?

Summary (Cont.)

- Is it necessary for MOH to determine clearly which type of general health services should be provided publicly?
- Is it necessary to organize the work of private health sector more precisely & is it necessary to adopt the required steps to limit any conflict in advantages between public & private health sectors?

Thank
You



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