



HEALTH

Health Care Financing: Looking Towards Kurdistan's Future

**Presentation for
International Congress on Reform and Development
of Health Care in Kurdistan Region**

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Outline

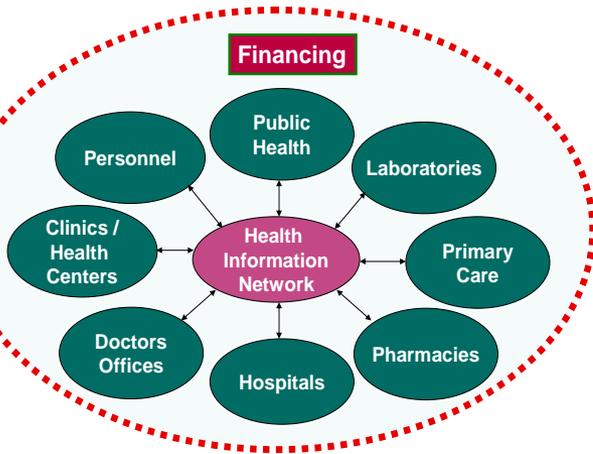
1. Introduction

- Background**
- KRG Financing System**

2. Financing Policy Questions the KRG Must Address as it Faces the Future

3. Planning for the Future

A Good Financing System Is Key to Achieving All Health Care Goals



What Is Health Care Financing?

- **WHO defined health financing as:**

“The function of a health system that is concerned with mobilization, accumulation, and allocation of money to cover the health needs of the people, individually and collectively.”

- **WHO further states**

“The purpose of health financing is to make funding available, as well as to set the right financial incentives to providers, to ensure that all individuals have access to effective public health and personal health.”

Basic Financing Questions Will Guide Discussion: for Whom, for What, Who Pays, How Much, How

For Whom



Services Covered



Source of Funds



Pooling of Funds



Resource Allocation

1. Eligibility

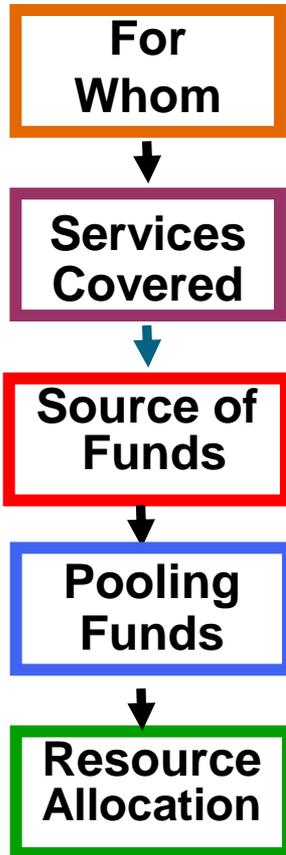
2. Services Covered (Benefits)

3. Who Pays

4. Type of Plan (Pooling)

5. Payment

Present KRG Health Care Financing System Is Primarily a Public Budget System



For Whom (Eligibility) :

- All KRG citizens covered by the public system

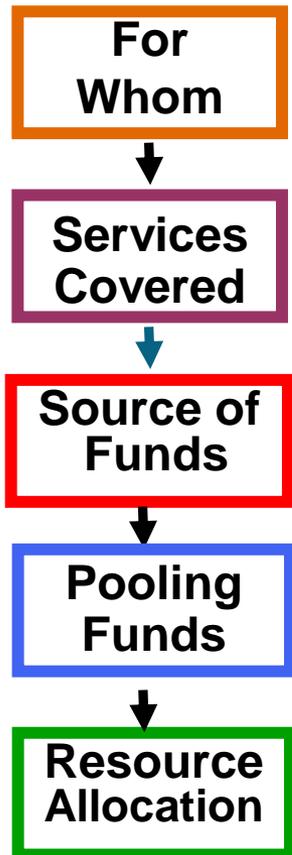
Services Covered (Benefits)

- Wide range of curative, preventive, and public health provided in public facilities (hospitals and primary healthcare clinics)
- Care limited by budgets, some modern equipment, and skilled trained manpower
- Some services provided by private hospitals and by physicians in private practice

Source of Funds

- public budgets (KRG, governorates, & Bagdad)
- Out-of-pocket for private care

KRG Health Care Financing System: Continued



Pooling

- Government budgets
- Private physician and hospital services are paid for by individuals with little insurance (ie no pooling)
- Methods limited by administrative expertise and data availability

Payment

- Public budgets pay for public services
- In theory both the public and private sectors are regulated by the government.
- Co pays are very low.
- Care abroad payments by the KRG and political parties is large and growing
- Costs are rising q
- Few incentives for efficiency, quality, or cost control.

KRG Health Financing Data

(in Millions of Iraqi Dinars)

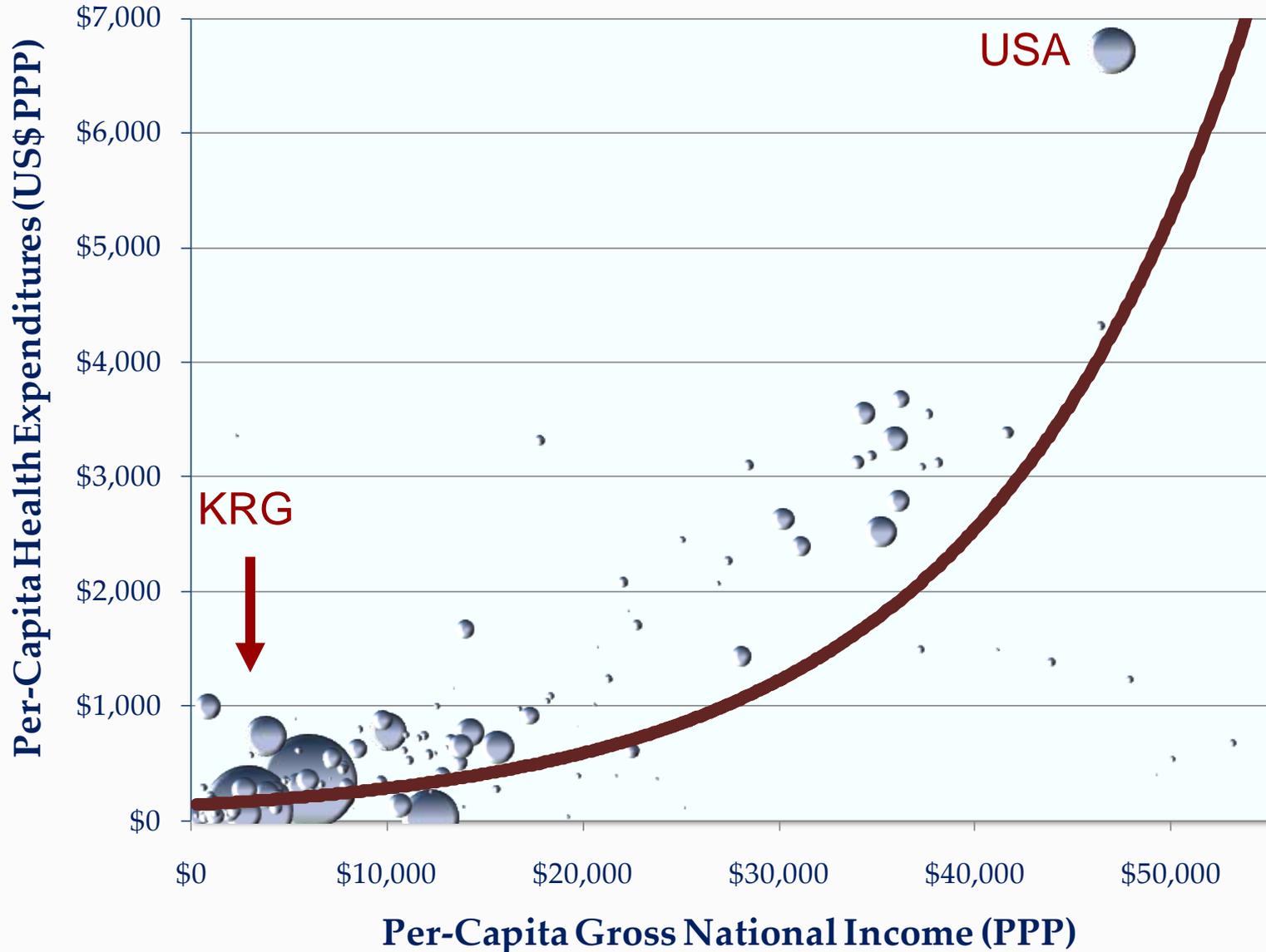
FY2010 Tentative Budget

• Operational Budget	531,424
• Investment Budget	<u>98,288</u>
Total	629,712
• Health Care % of KRG Budget	5.2%
• Employment	39,500

PHC Co-payments

• Ticket	250 dinars
• Pharmacy Ticket	500 dinars

Rich Countries Spend Exponential More on Health Care than do Less Developed Countries

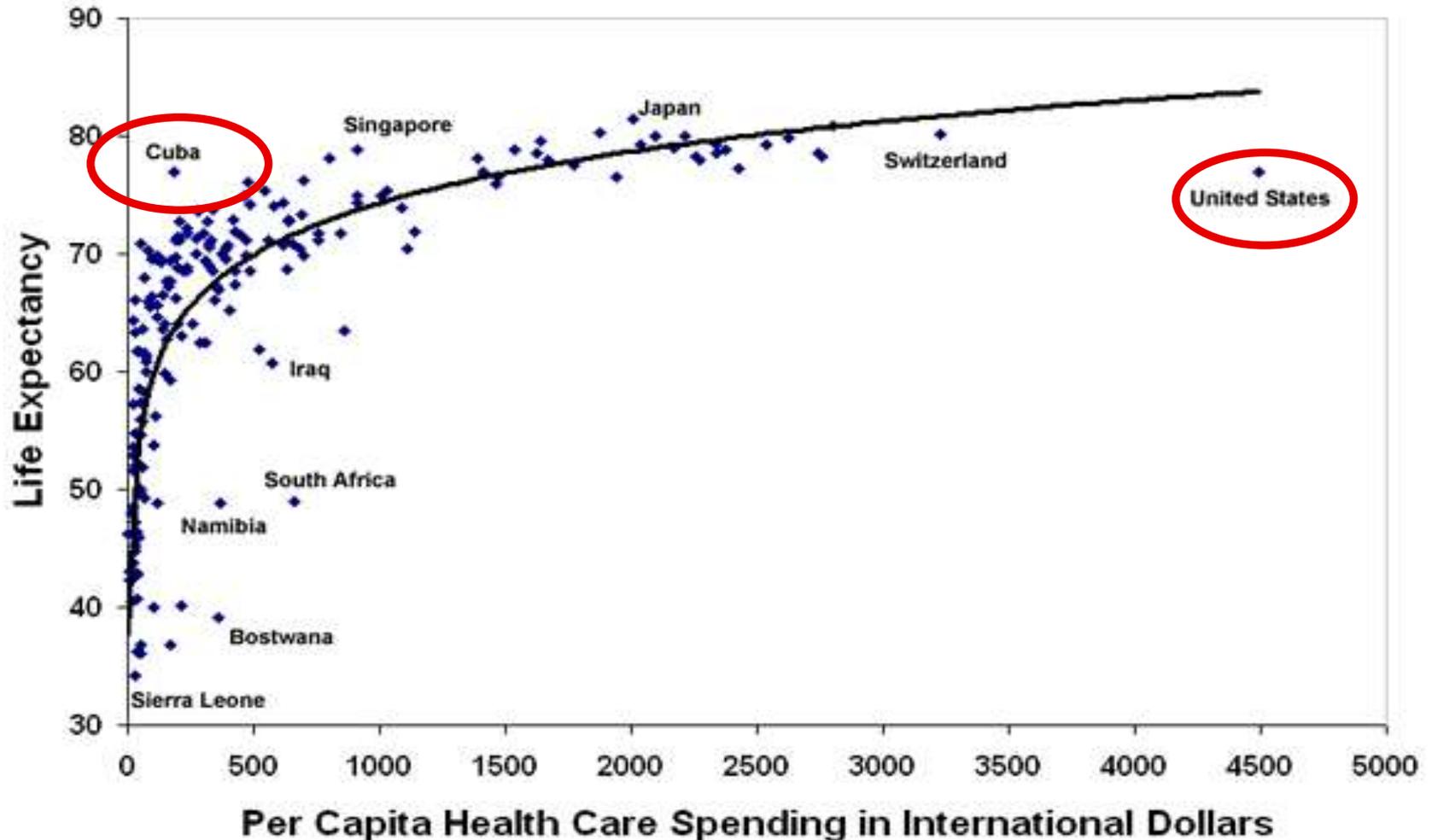


Economically Developed Countries Have A Greater Capacity to Implement Advanced Financing Systems

- **Better more reliable data and IT systems**
- **More sophisticated tax collection systems**
- **Better Administration and trained personnel**
- **Higher income populations and fewer poor**
- **Functioning private insurance companies**
- **Shift from infectious to chronic diseases**
- **Increased concern for quality and cost control**

Spending a Lot on Health Care Does Not Guarantee Good Outcomes

Life Expectancy vs. Spending



All Common Health Financing Models Have Pros and Cons

Public Budget

Main revenue type: taxes, oil, AID

Pooling:
By govt.

Purchasing:
By govt. - collective and selective contracts

Social Health Insurance

Main revenue type:
Payroll tax, govt. budget

Pooling:
Pools by job or income

Purchasing:
Collective and selective contracts

National Health Service

Main revenue type:
General taxes

Pooling:
National pool

Purchasing:
National or regional direct purchase of services it provides

Private Health Insurance

Main revenue type: Individ. & employer payments

Pooling:
Privately managed ins. pools

Purchasing:
Selective contracts

Health Financing Systems Around the World

Public Budget

- KRG
- Iraq
- Ghana
- Nepal
- Qatar

Social Health Insurance

- France
- Germany
- Japan
- Turkey
- UAE

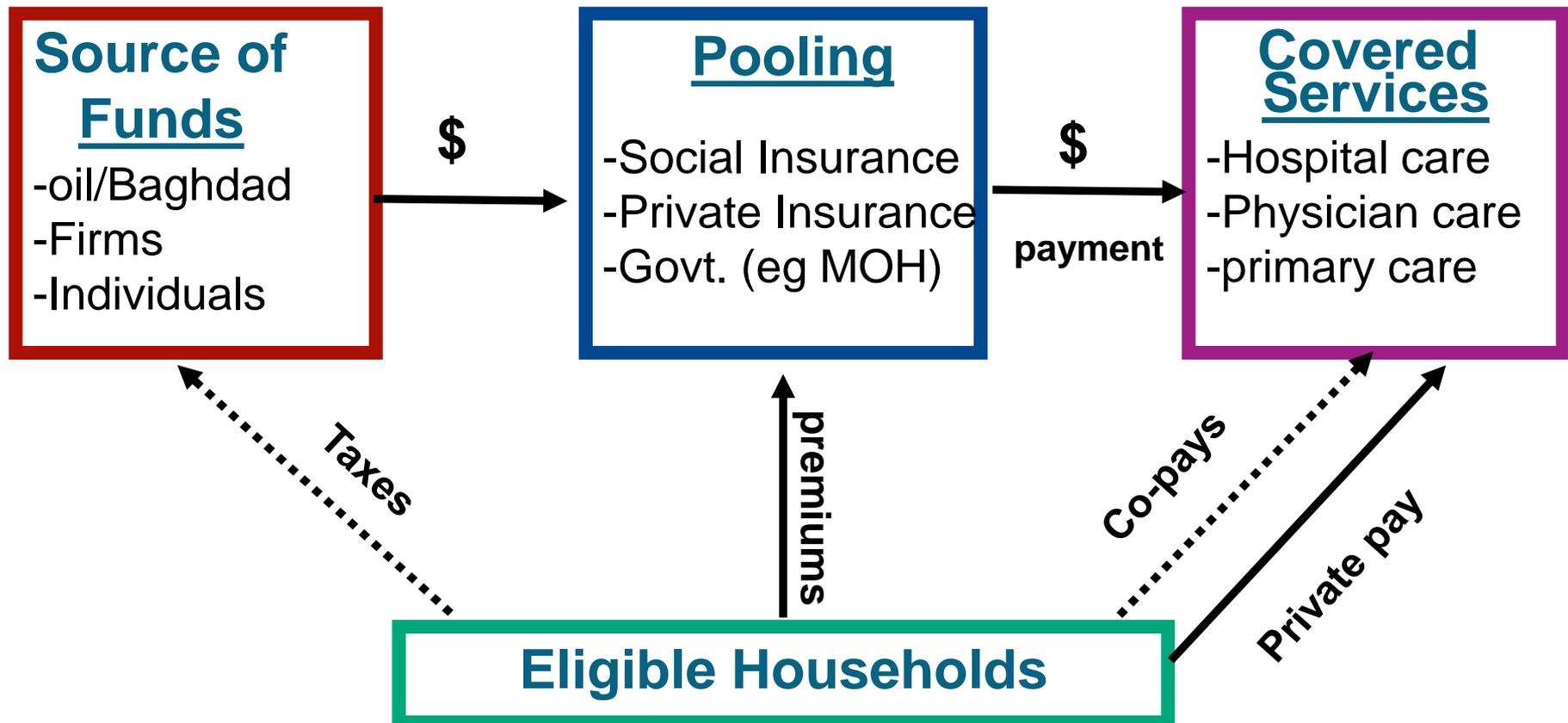
National Health Service

- Canada
- New Zealand
- Australia
- Italy
- UK

Private Health Insurance

- USA
- Greece
- Singapore
- Holland

Financing Systems Are Very Complex and Need to Be Designed with Care (Money Flows)



Outline

1. Introduction

- Introduction
- KRG Financing System

2. Financing Policy Questions the KRG Must Address

3. Planning for the Future

Key Policy Questions KRG Must Answer

For Whom

- Will non-KRG non-Iraqi citizens receive KRG health care benefits and if so for how much?
- How will the KRG administer and verify eligibility? (e.g. Issue insurance ID cards or what)?

Services Covered

- Which services will be covered and not covered?
- What process will the KRG use to decide this. .
- How will the list be updated for new technologies.
- Care abroad: how will treatment for services not available in the KRG be financed.

Key Policy Questions (2)

Source of Funds

- **What share of national income will go to health?**
- **Who will bear the burden of providing resources, i.e. the government (KRG or governorate), individual, and/or companies?**
- **What will the size of co-payments and deductibles be and will they vary by type of service?**
- **How will the poor be treated?**
- **How much will non-KRG residents pay for treatment?**

Key Policy Questions (3)

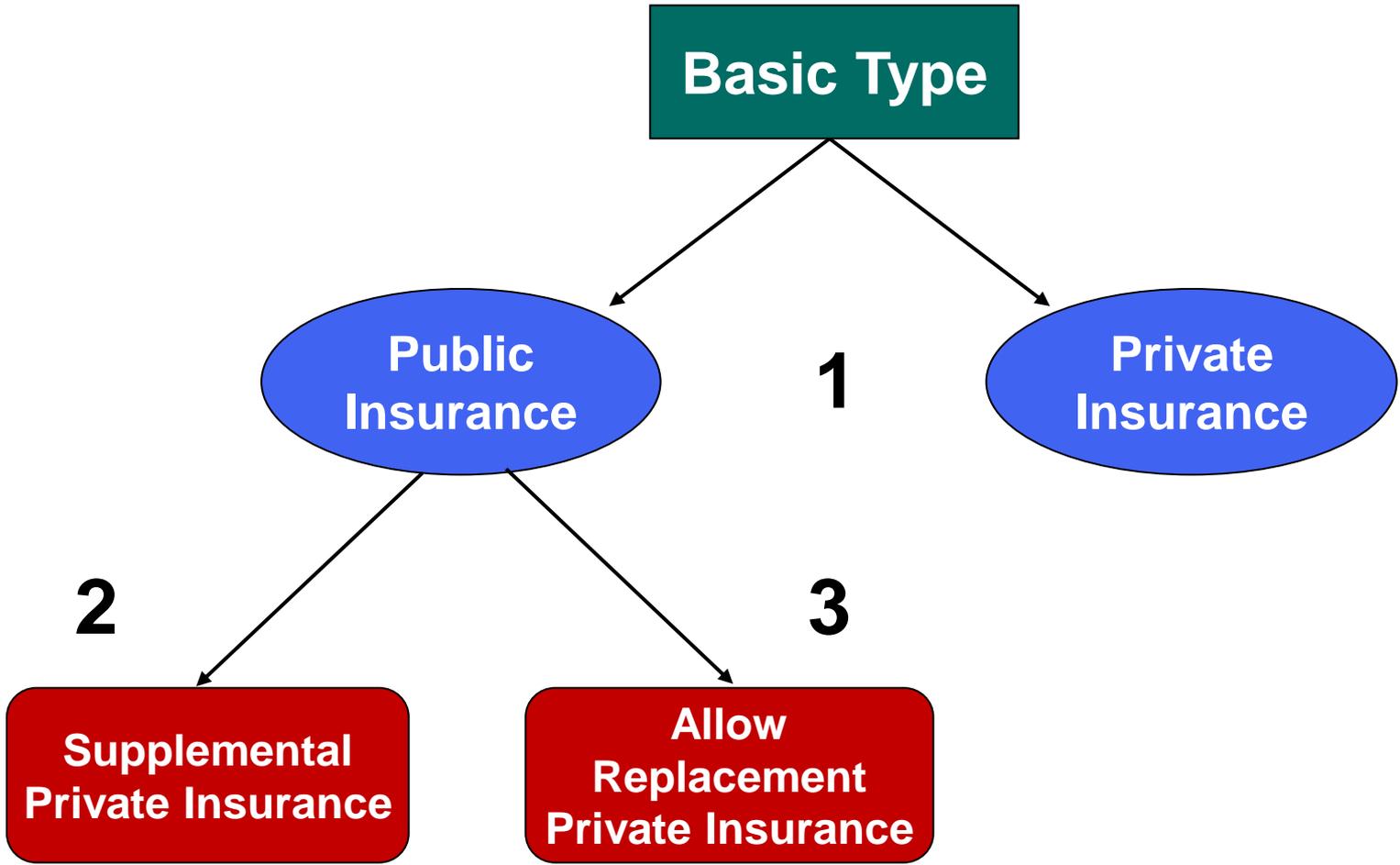
Pooling of Funds

- Will the KRG continue to utilize the national budget to pool resources or move towards some form of insurance?
- If the KRG pursues an insurance system will it be public or private, and will it be voluntary or compulsory?
- How will the KRG and Bagdad rationalize and coordinate systems?

Resource Allocation

- What mechanism(s) will be set up to pay for services and staff? Will there be incentives for quality and efficiency?
- What will the payment rates for services be?
- Will a prospective or retrospective payment system?
- Should payment be linked to performance or level of effort for providers, hospitals, PHCs etc?

If KRG Decides on an Insurance System: What Will the Role of Private Insurance be?



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Next Steps

Step 1: Analyze Current System and Feasible Options

Step 2: Establish a Vision for the Future

- **Convene political, medical, and public leaders to establish a vision for the future**
- **Share vision with the public to help establish reasonable expectations**

Step 3: Planning: Develop A Detailed Research and Strategic Financing Plan

- **Define critical questions that must be answered and lay out a research plan.**
- **Collect the data necessary to manage, evaluate, and regulate the system**
- **Analyze and establish mechanisms to provide incentives for cost control, quality, & efficiency.**
- **Develop strategic financing plan.**

Next Steps Continued

Step 4: Implement Plan

- Lay out prerequisites needed to implement vision, e.g.
 - tax collection system,
 - IT infrastructure,
 - Private insurance system
 - Ability to set prices and pay for performance etc
- Sequence changes to achieve objectives
- Decide on and establish a nation wide medical information system.
- Design systems to promote health, good outcomes, efficiency, equity, and to account for increased needs in facilities, manpower, and resources.
- Establish a health policy leadership academy

Summary & Conclusions

- **Deciding on and establishing financing systems is very complex and demanding.**
- **Present resources are not sufficient to fund projected health care needs in the next 20 years.**
- **To make good policy decisions, the KRG needs to begin a systematic review of all policy options and choices, including:**
 - What data is required to manage any system
 - What can be done now to improve efficiency, control costs,
 - What incentives should be embedded in the system and insure coverage for all in the KRG
- **The KRG needs to develop a strategic health care financing plan and research agenda to fulfill it**
- **Financing system will be key to health of the medical care system as well as the health of the people and development of Kurdistan.**



HEALTH

BACKUP SLIDES



HEALTH CARE COSTS

BACKUP SLIDES

Country Comparisons

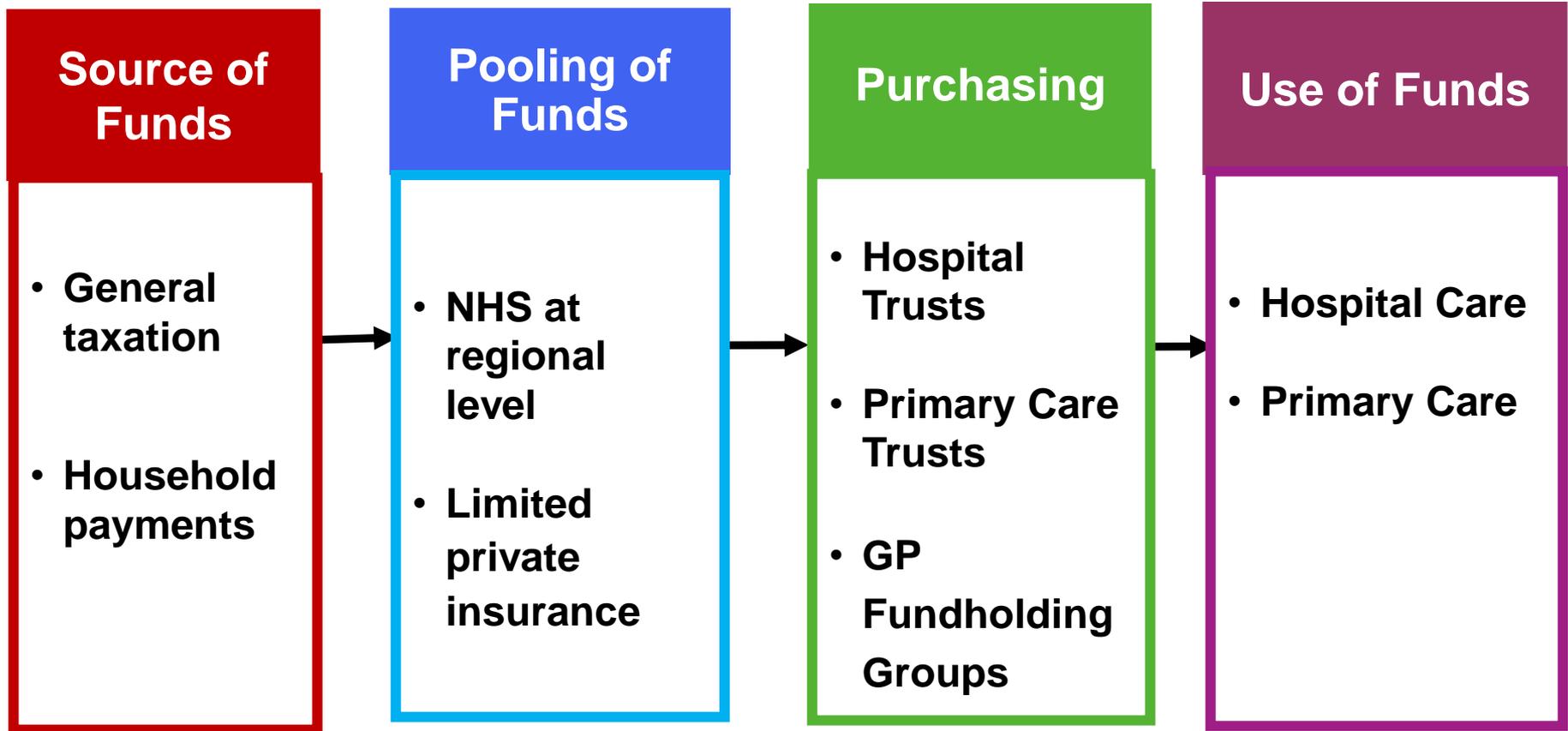
Indicator	Egypt	France	Holland	Iran	Saudi Arabia	Turkey	UAE	U.K.
Per-capita income	\$5,463	\$34,400	\$41,666	\$7,190	\$22,493	\$13,767	\$53,212	\$36,128
Infant mortality rate	29.9	3.6	4.4	24.0	20.2	21.4	7.2	4.9
Life expectancy at birth	70.2	81.0	80.2	72.8	73.0	72.0	79.3	79.3
Obesity (% of adults)	n/a	n/a	n/a	n/a	5.7	5.7	0.0	22.7
Health spending p.c.	\$297	\$3,554	\$3,383	\$350	\$607	\$645	\$673	\$2,784
Health spending %GDP	6.3	11.0	9.4	5.5	3.3	4.8	2.5	8.2
% spending public	41%	80%	80%	48%	77%	73%	70%	87%
Doctors / 10,000 pop	15.0	34.0	37.0	8.0	14.0	16.0	17.0	23.0
Population (millions)	81.5	62.0	16.4	63.0	24.6	73.9	4.5	61.4
Smoking (% of pop. 15+)	14.9	31.7	34.3	n/a	14.7	35.5	14.4	35.7

United Kingdom



- **UK is an example of a national health care system that allows supplemental private insurance.**
- **Access is universal**

United Kingdom

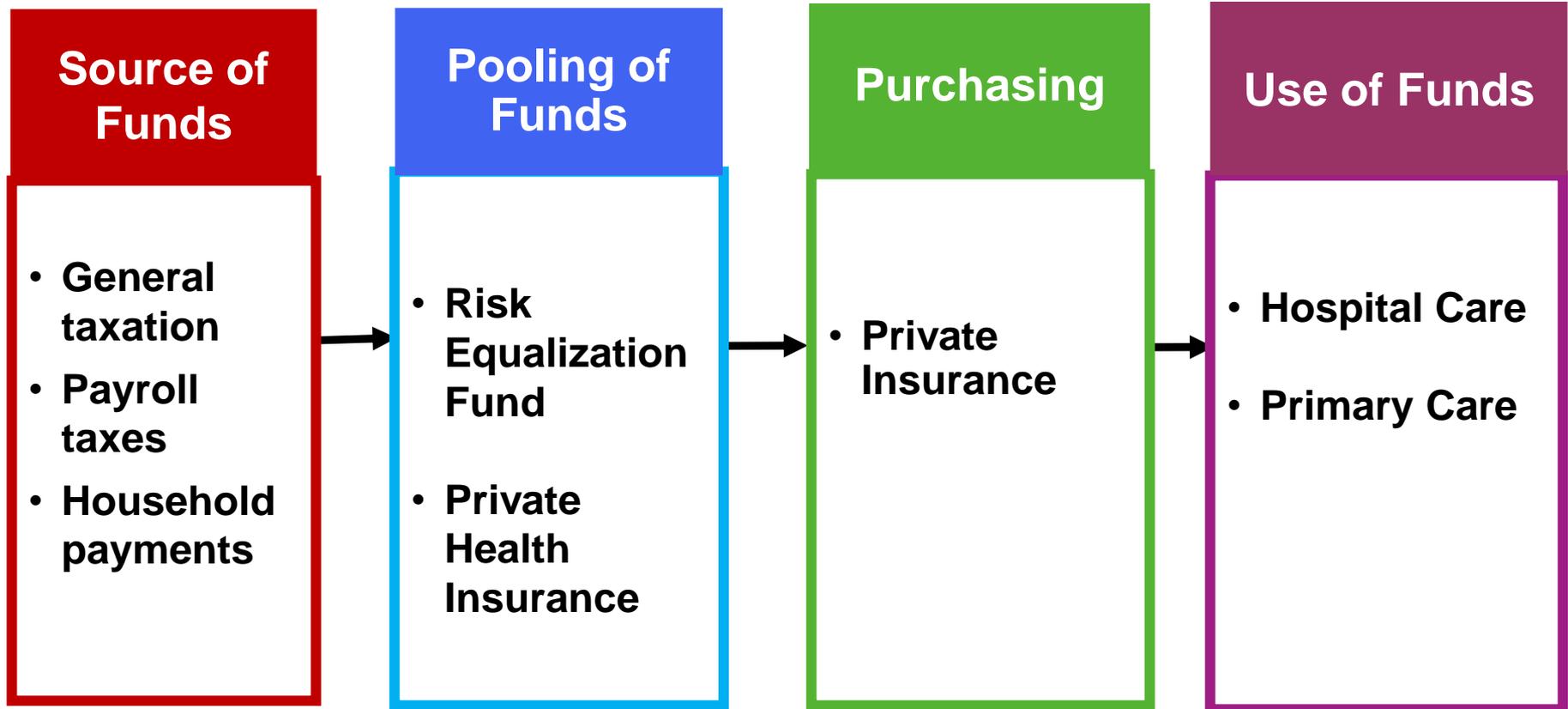


Holland



- **Holland has a universal health insurance coverage, primarily offered through private insurance**
- **Insurance is regulated by the government in terms of premiums and benefits packages**

Holland

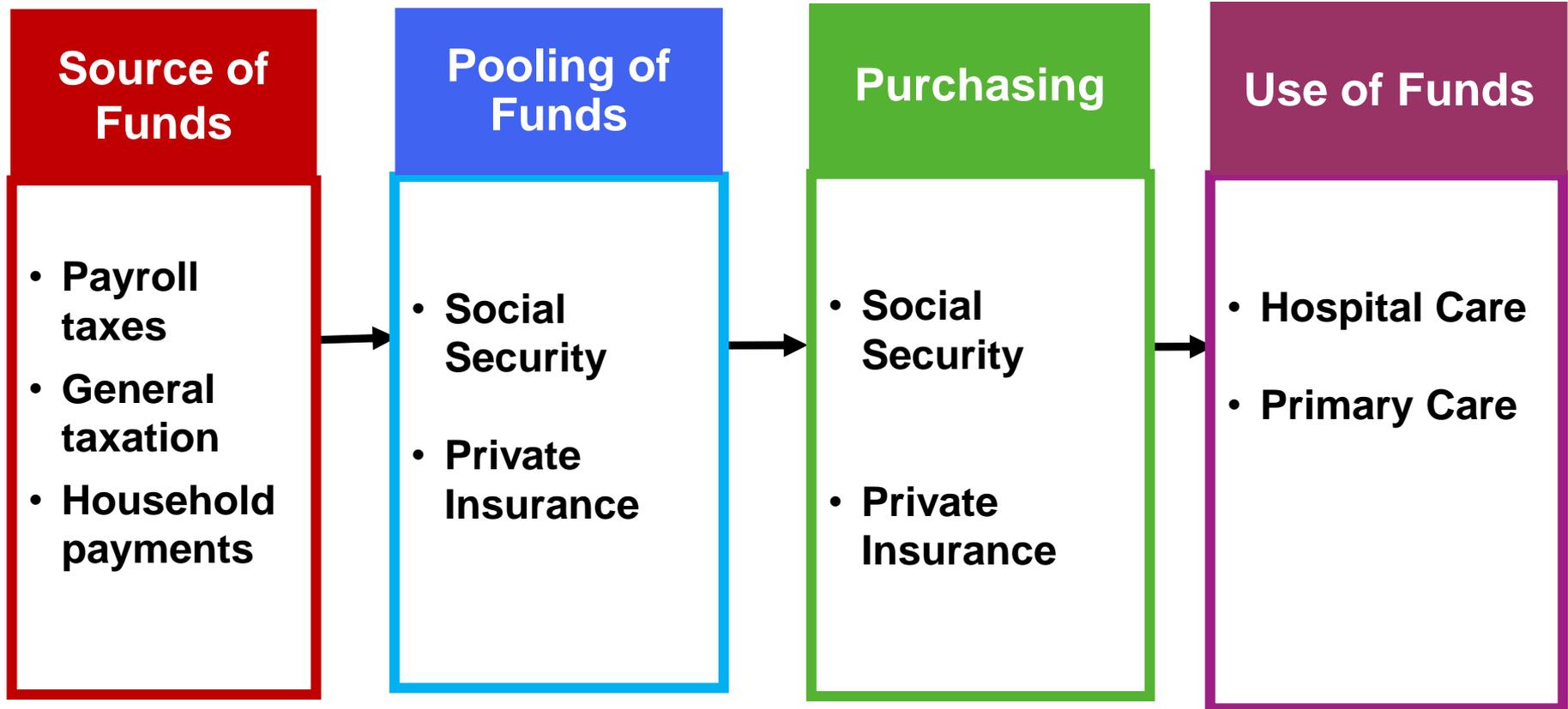


France



- **France has universal health insurance coverage, offered through social security, complemented by specific programs for the poor and special groups.**
- **A generous benefits package and few copayments.**

France



Benefits Package Usually Covers Medically Necessary Services

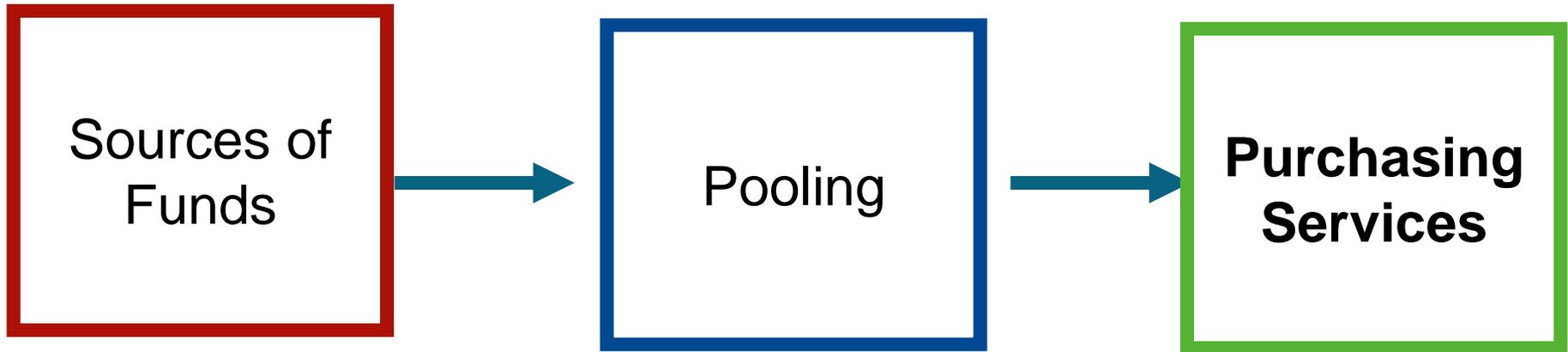
Often covered Services

- Inpatient care
- Prescription drugs
- Outpatient generalist & specialist care
- Diagnostics
- Maternity
- Mental health & substance abuse
- Routine dental
- Eye exams
- Hearing exams
- Therapies
- Preventive services

Services Often Not Covered

- Medically unnecessary services
- Experimental treatments
- Cosmetic plastic surgery
- Overseas care

Focus now On Basic Financing Plan Functions



Possible Sources Funding to Raise Sufficient Resources, Efficiently and Equitably

Individuals

Patient payment/user fees

Insurance Payments

Taxes

Companies

Insurance Payments

Taxes

Government

KRG Budget Allocation

Governorate Budget Allocation

Baghdad Budget Allocation

Insurance Premiums

Insurance Card Fees

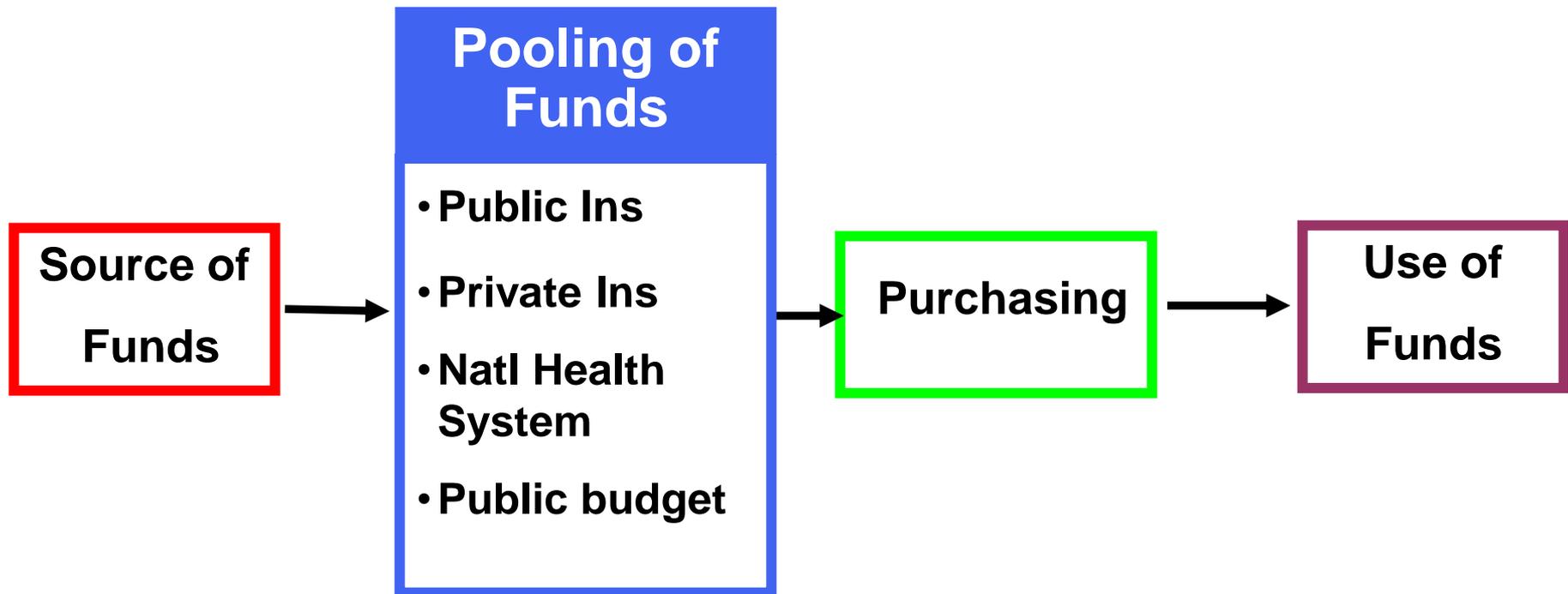
AID

Source of Funds: Key Policy Questions

Policy Issues

- **What share of national income will go to health?**
- **Who will bear the burden of providing resources, i.e. the government (KRG or governorate), individual, and/or companies?**
- **What will the size of co-payments and deductibles be and will they vary by type of service?**
- **How will the poor be treated?**
- **How much will non-KRG residents pay for treatment?**

Pooling To Spread Risk Efficiently & Equitably Is Usually Through Insurance Mechanism



Pooling of Funds: Key Policy Questions

Key Policy Questions:

- Will the KRG continue to utilize the national budget to pool resources or move towards some form of insurance?
- If the KRG pursues an insurance system will it be public or private, and will it be voluntary or compulsory?
- How will the KRG and Bagdad rationalize and coordinate systems?
- Will a public system be national or governorate specific (i.e.. like Canada's provincial system).

Health Care Financing Characteristics of Low-Income Countries (\$0-\$750)

- • **Government revenues and budgets are limited by a narrow tax base.**
- • **Tax system and government administration systems often not very efficient**
- • **User fees are often informal, non-transparent, minor share of revenues.**
- • **Health insurance limited.**
- • **Data is limited or not available**
- • **External assistance may be a significant source for investment**

→ **KRG Characteristic**

Health Care Financing Characteristics of Middle-Income Countries (\$746-\$9,205)

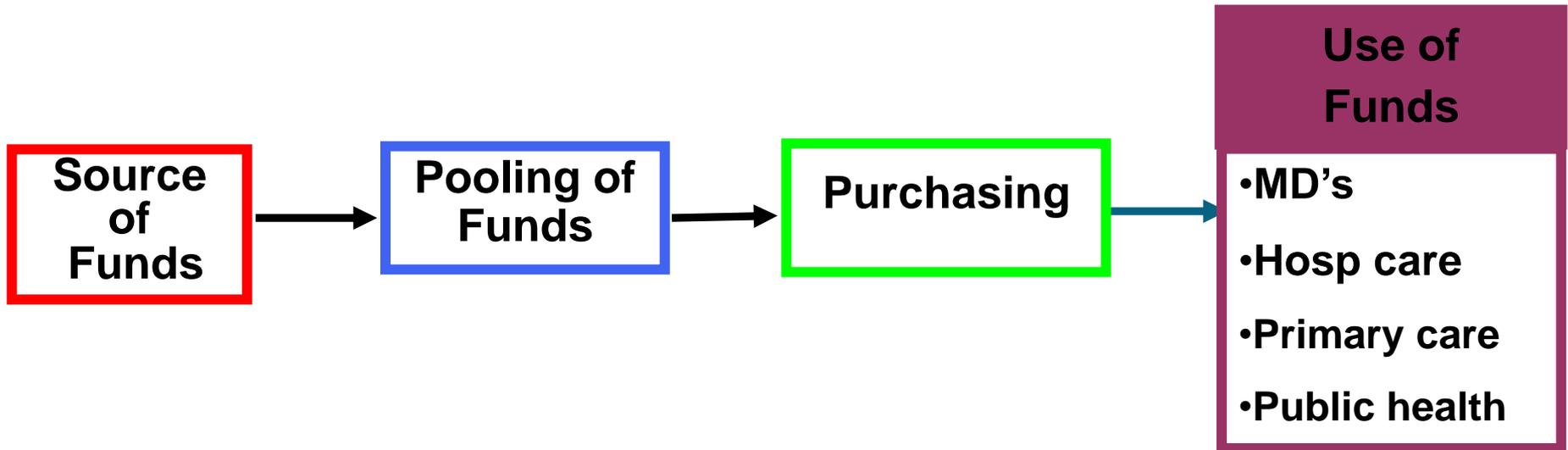
- **Expansion of financing mechanisms.**
- **Expanded ability to manage complex systems**
- **Data sources for managing and pricing more complex financing systems becomes available**
- **Growth of (multiple) social security schemes.**
- • **Expansion of government revenue base.**
- • **Rise in private household spending and growth of private health insurance.**
- • **Urbanization and expansion of formal employment sector.**

→ **KRG Characteristic**

Health Care Financing Characteristics of High-Income Countries (\$9,206+ per capita)

- **Universal coverage achieved in most countries.**
- **Containing costs and improving efficiency are major concerns.**
- **Protecting quality and patient satisfaction important.**
- **Very sophisticated IT and management systems exist and are key to system functioning.**
- **Individual incomes are high enabling health care expenditures to raise rapidly**
- **Aging population – expands long-term care insurance.**

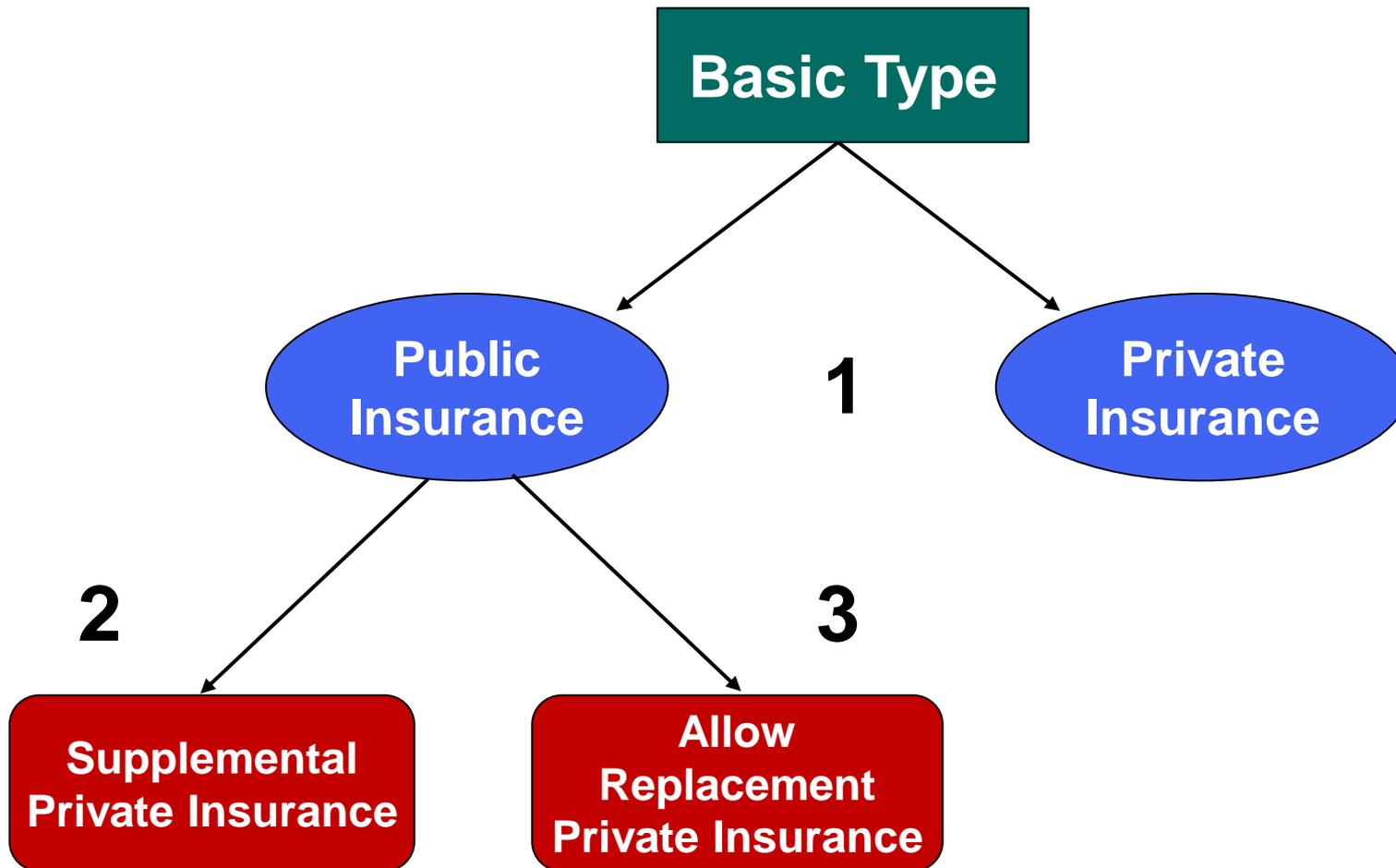
Funds are Used to Purchase Health Related Services including Primary Care and Public Health



Purchasing: Some Key Policy Questions

- 1. What mechanism(s) will be set up to process and pay for services to control costs?**
- 2. What will the payment rates for services be?**
- 3. Will a prospective or retrospective payment system be used to encourage efficiency?**
- 4. How will staff be paid. Will there be incentive payments? If so, how should they be structured to achieve public policy objectives.**
- 5. Should pay be dependent on the amount of time worked or services provided.**
- 6. Should pay be linked to performance for providers, hospitals, PHCs etc.**

If KRG Decides on an Insurance System: What Will the Role of Private Insurance be?



A number of basic questions have to be answered before a financing system can be designed

Source of Funds



Pooling of Funds



Resource Allocation



Services Covered



For Whom

1. Who Pays

2. Type of Plan (Pooling)

3. Payment

4. Services Covered (Benefits)

5. Access

(1) Why Not Mandatory Private Insurance?

- KRG is probably too small a market to make this work well
- There is presently no history with private insurance which would require a good deal of time to overcome
- Delegates some control over policies needed to private insurers
- Multiple private insurers significantly increase cost and administrative complexity and regulatory oversight
- Private insurance markets do not generally provide financing for low-income people

(2) Role of Private Insurance: Allow Private Insurance to Supplement and/or Duplicate Public Insurance

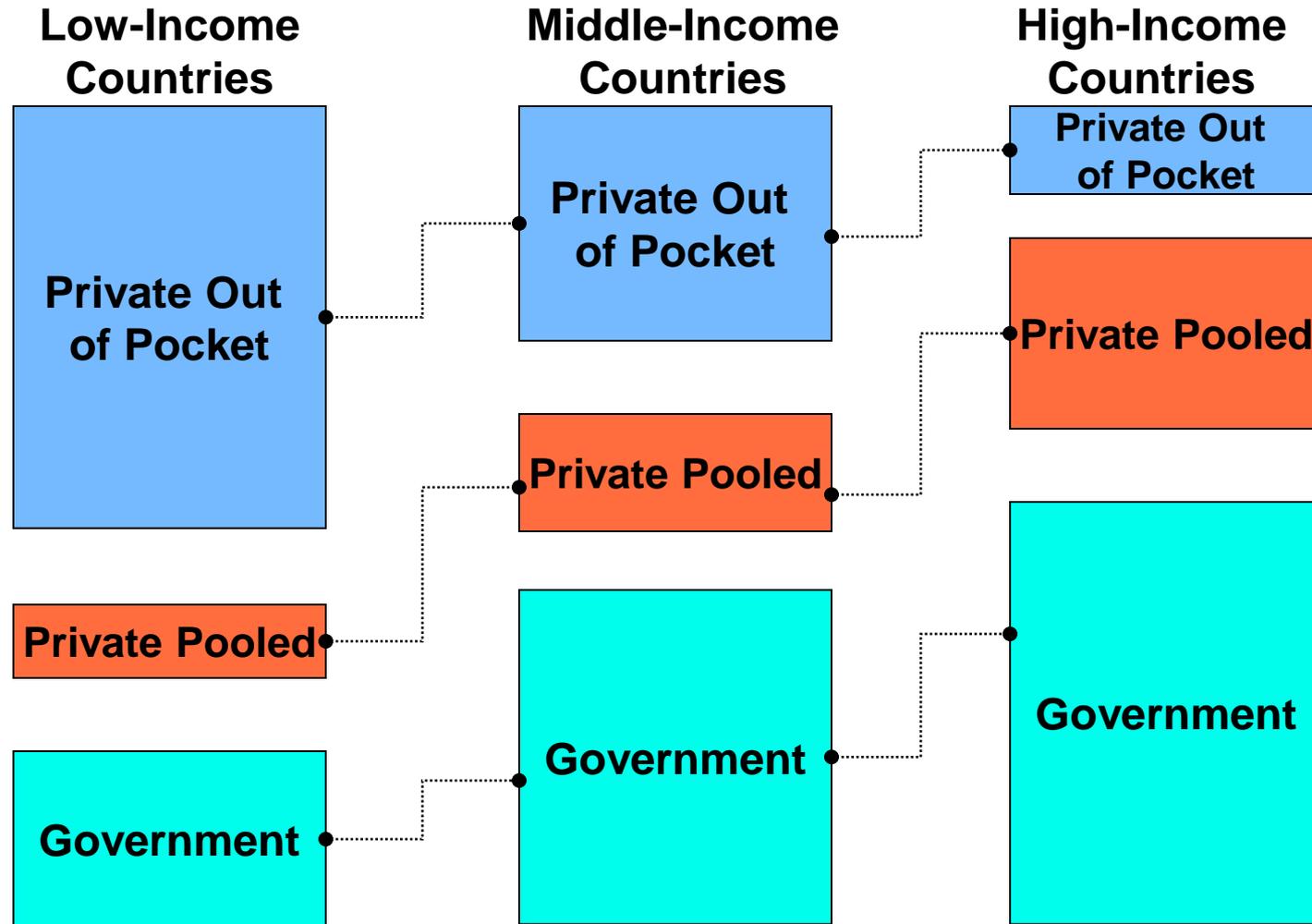
- **Public insurance is mandatory**
- **Allows private insurance for services not covered under public insurance, e.g., overseas care and/or cost sharing**
- **Lets employers offer enhanced insurance as benefit to attract professionals**
- **Expands patient choice with little regulatory oversight**
- **Increases costs for employers who provide duplicate coverage (e.g., employer-operated primary clinics)**
- **May increase health care spending**

(3) Role of Private Insurance:

Allow individuals or employers to opt out of social insurance and purchase private insurance

- **Health insurance is mandatory but may be provided through either public insurance or private insurance**
- **Requires substantial regulatory oversight to assure private insurance benefits cover comparable services**
- **Facilitates the expansion of the private health care sector**
- **Reduces costs for employers wanting to offer employees expanded choice since they would not have to pay public insurance premiums or include the poor in their pools**
- **Likely to lead to a two-tier health care system where those who can afford private insurance obtain higher-quality care**

Generally As Countries Develop Individuals Pay Less and Governments Pay More



Source: World Bank

Next Steps

Step 1: Establish a Vision for the Future

- **Convene political, medical, and public leaders to establish a vision for the future**
- **Share vision with the public to help establish reasonable expectations**

Step 2: Planning: Develop Detailed Research and Implementation Plans

- **Define critical questions that must be answered**
- **Determine and begin to collect the data necessary to manage, evaluate, and regulate the system**
- **Analyze and establish mechanisms in the system to provide incentives for cost control and quality from the beginning.**
- **Establish research capacity to help analyze and answer policy questions for the future**
- **Lay out feasible options at this time.**

Next Steps Continued

Step 3: Implement Plan

- Lay out prerequisites needed to implement vision
 - tax collection system,
 - IT infrastructure,
 - Private insurance system
 - Ability to set prices and pay for performance
 - Manpower and training etc.
- Sequence changes to achieve objective while making real immediate change
- Decide on and establish a nation wide medical information system.
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HEALTH

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KRG Ministry of Planning and Ministry of Health**