



Health Care
Management



The financing function: Raising, pooling and allocating resources

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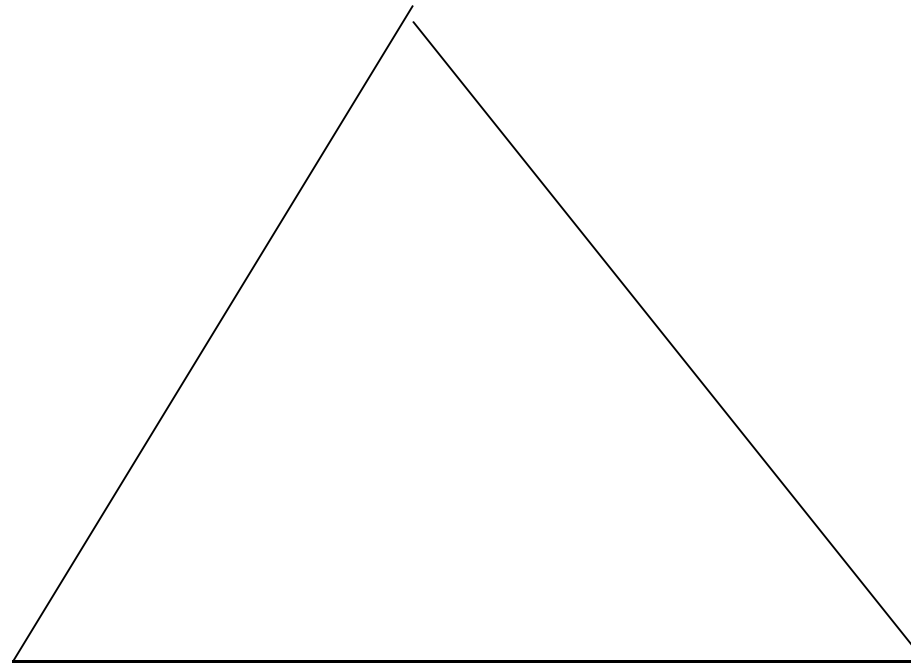
&

European Observatory on Health Systems and Policies



European
Observatory 
on Health Systems and Policies

Third-party Payer



Population

Providers

**Collector of
resources** **Third-party payer**



**Steward/
regulator**

Population

Providers

Resource pooling & allocation

Collector of → Third-party payer resources

**Raising resources/
funding**

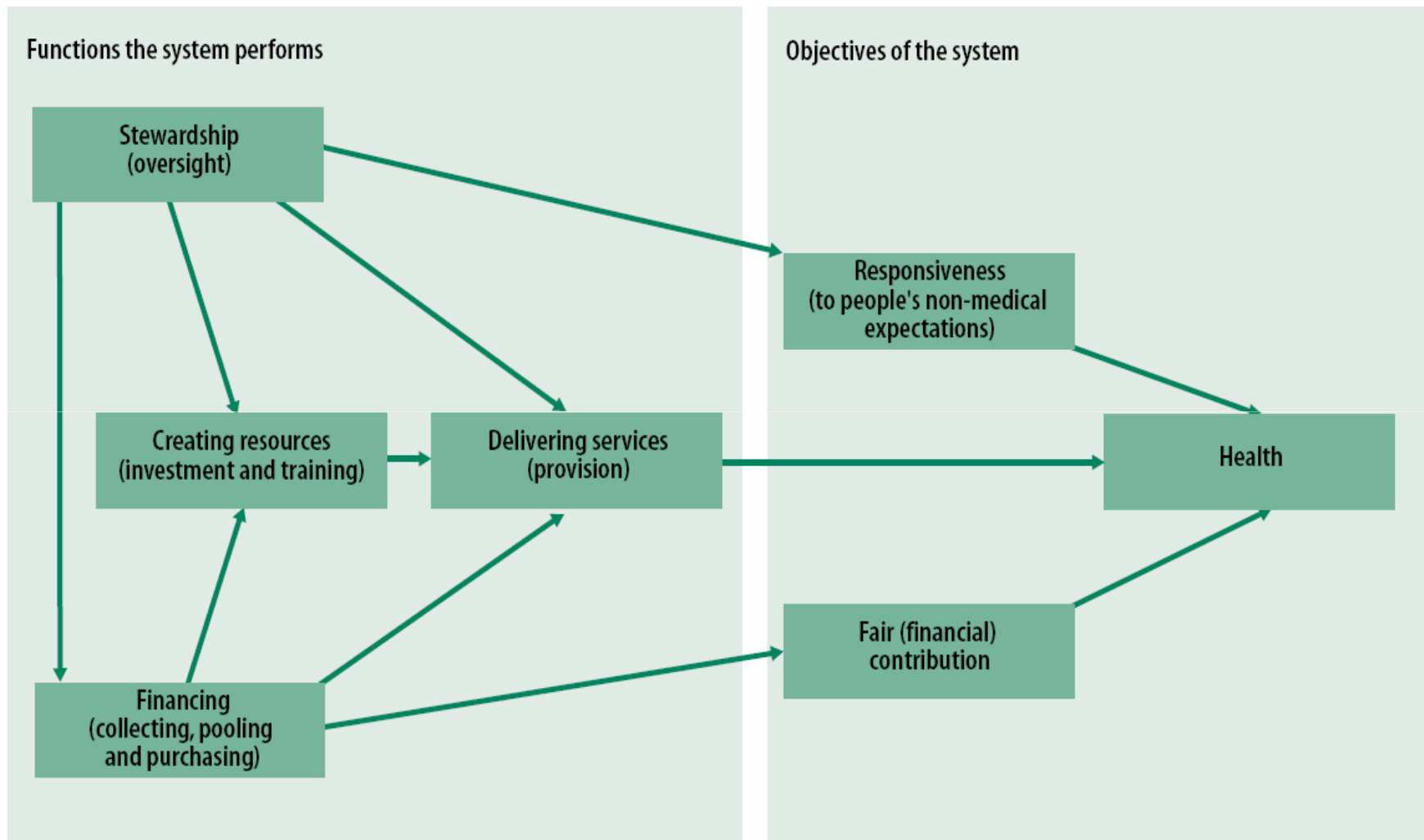
**Steward/
regulator
Regulation**

**Purchasing/
contracting/
financing
providers**

Population Coverage:
Who? What?
How much?

**Delivery/
provision of services** **Providers**

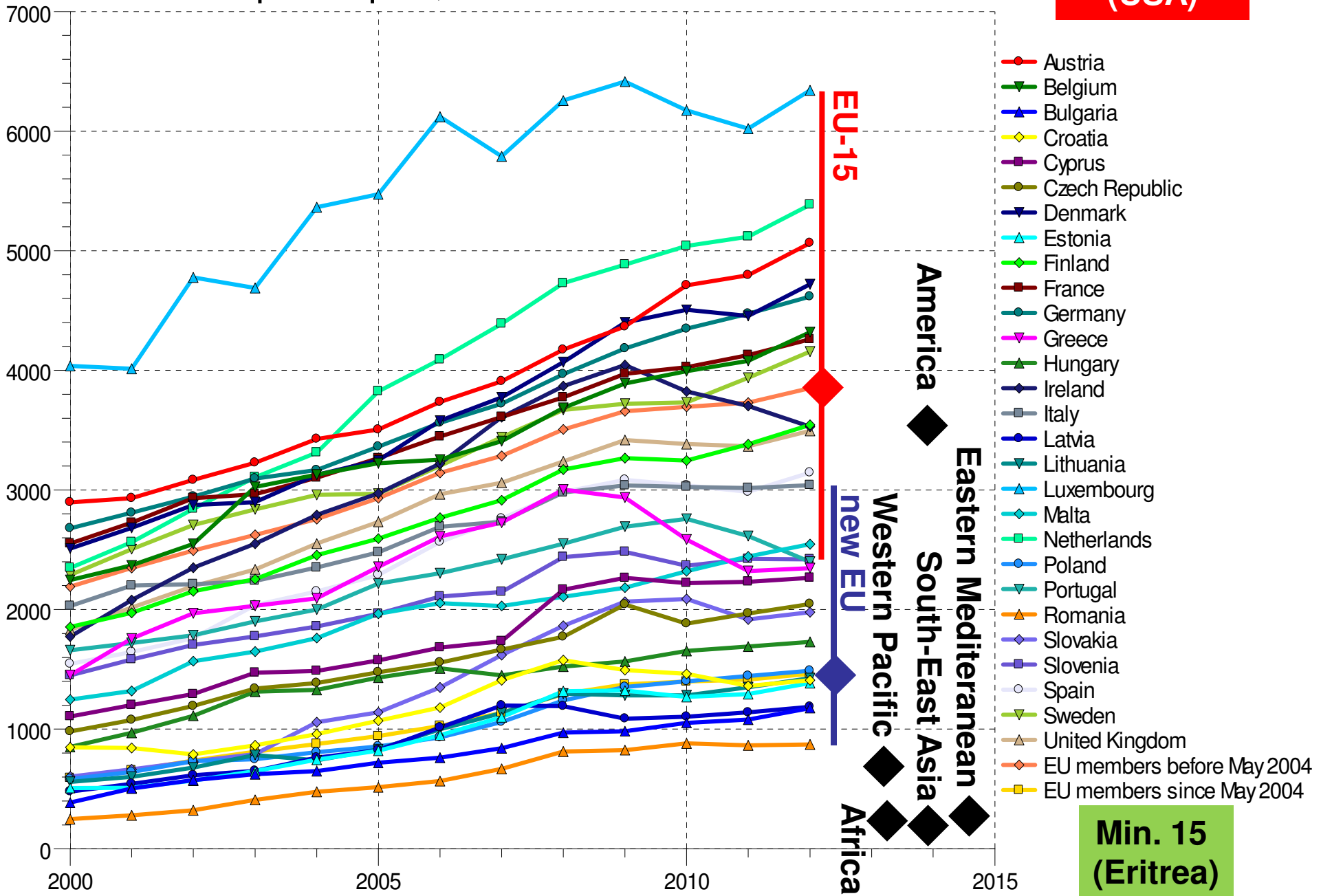
Functions



WHO World Health Report 2000

Total health expenditure, PPP\$ per capita, WHO estimates

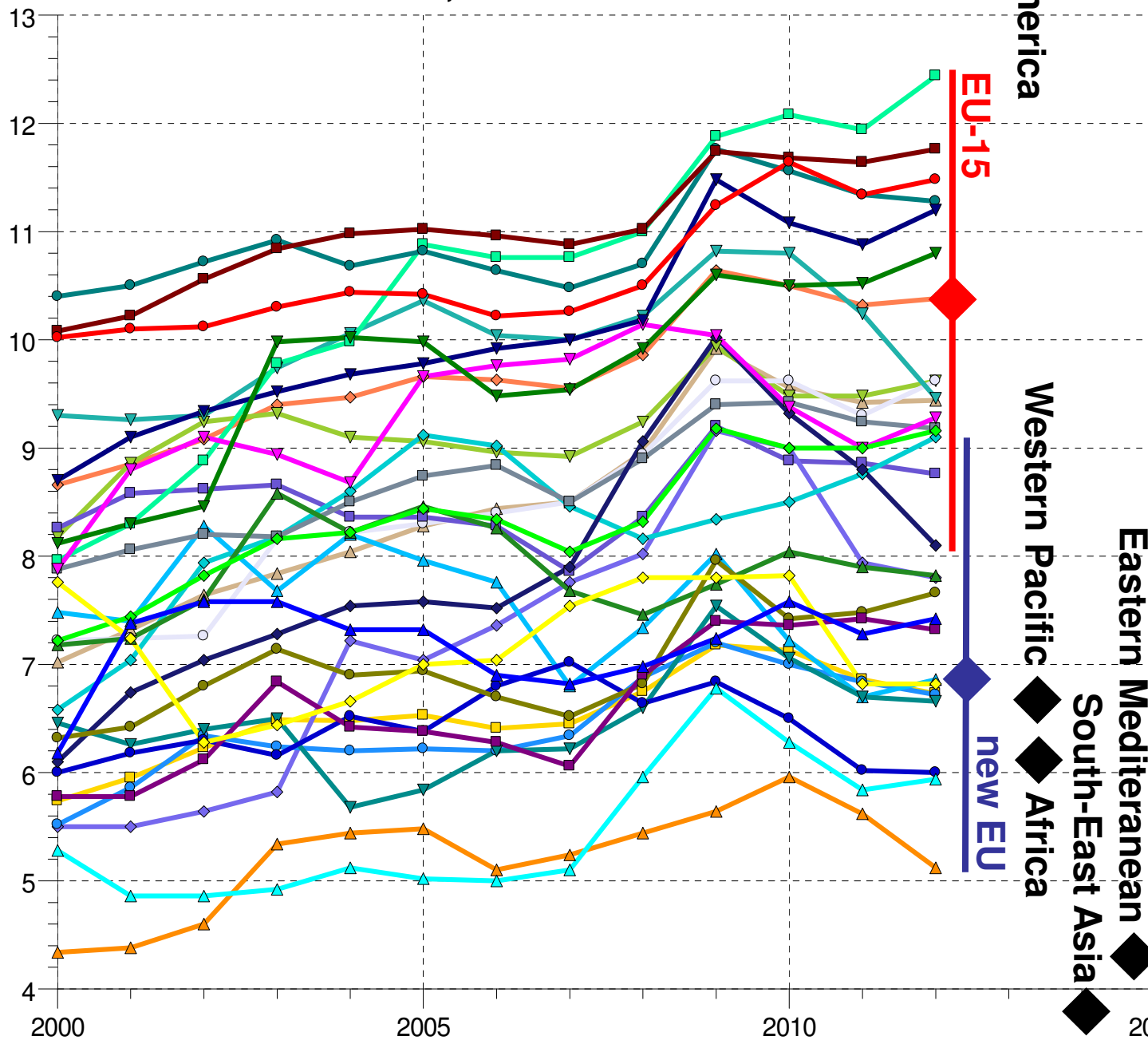
Max. 8400 (USA)



Min. 15 (Eritrea)

Total health expenditure as % of GDP, WHO estimates

Max. 17.7% (USA)



- Austria
- ▼ Belgium
- ▲ Bulgaria
- ◆ Croatia
- Cyprus
- Czech Republic
- ▼ Denmark
- ▲ Estonia
- ◆ Finland
- France
- Germany
- ▼ Greece
- ▲ Hungary
- ◆ Ireland
- Italy
- Latvia
- ▼ Lithuania
- ▲ Luxembourg
- ◆ Malta
- Netherlands
- Poland
- ▼ Portugal
- ▲ Romania
- ◆ Slovakia
- Slovenia
- Spain
- ▼ Sweden
- ▲ United Kingdom
- ◆ EU members before May 2004
- EU members since May 2004

Min. 1.7% (South Sudan)

Why is the Health Expenditure/GDP ratio of interest?

- A measure of the *opportunity cost* of health spending.
- A means of international comparison.

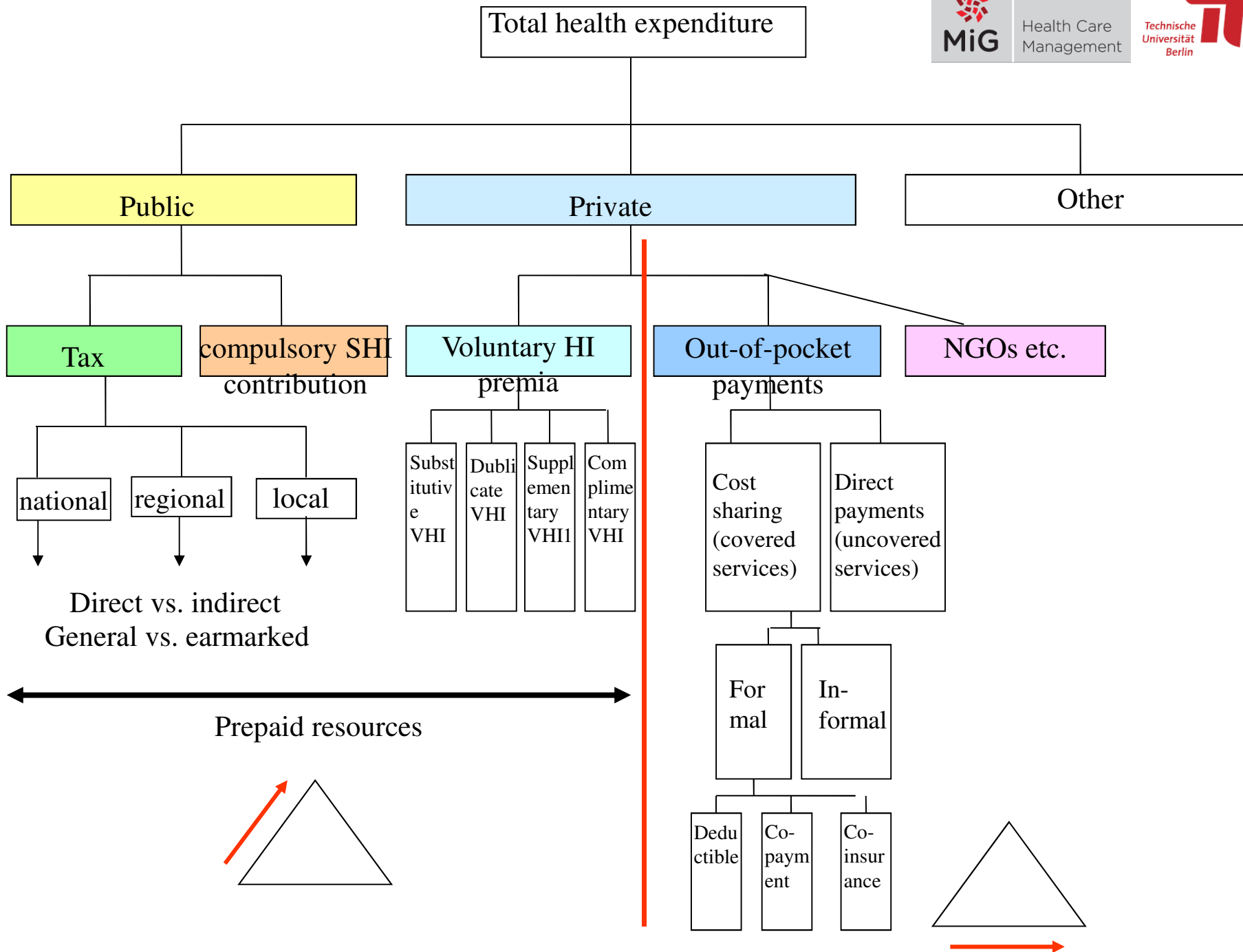
But:

There is no unambiguous optimum level. It is a matter of political preferences.

Basically, there are just four main ways
to fund health care:

- Out-of-pocket payments by users
- Voluntary (private) insurance payments = risk-related premiums
- Social insurance payments = contributions or community-rated premiums
- Tax payments

(and the fifth: external support)



Resource pooling & allocation

Collector of resources → **Third-party payer**

**Income-dependent contributions
& sickness funds =
Social Health Insurance system**

Steward/ **managing**

**Raising
resources/
funding**

**Taxes &
governments/ health authorities
= tax-funded system (NHS)**

Population

Delivery/ Providers

Coverage

Who? What

How much

**Risk-related premia
& private insurers =
Voluntary Health Insurance system**

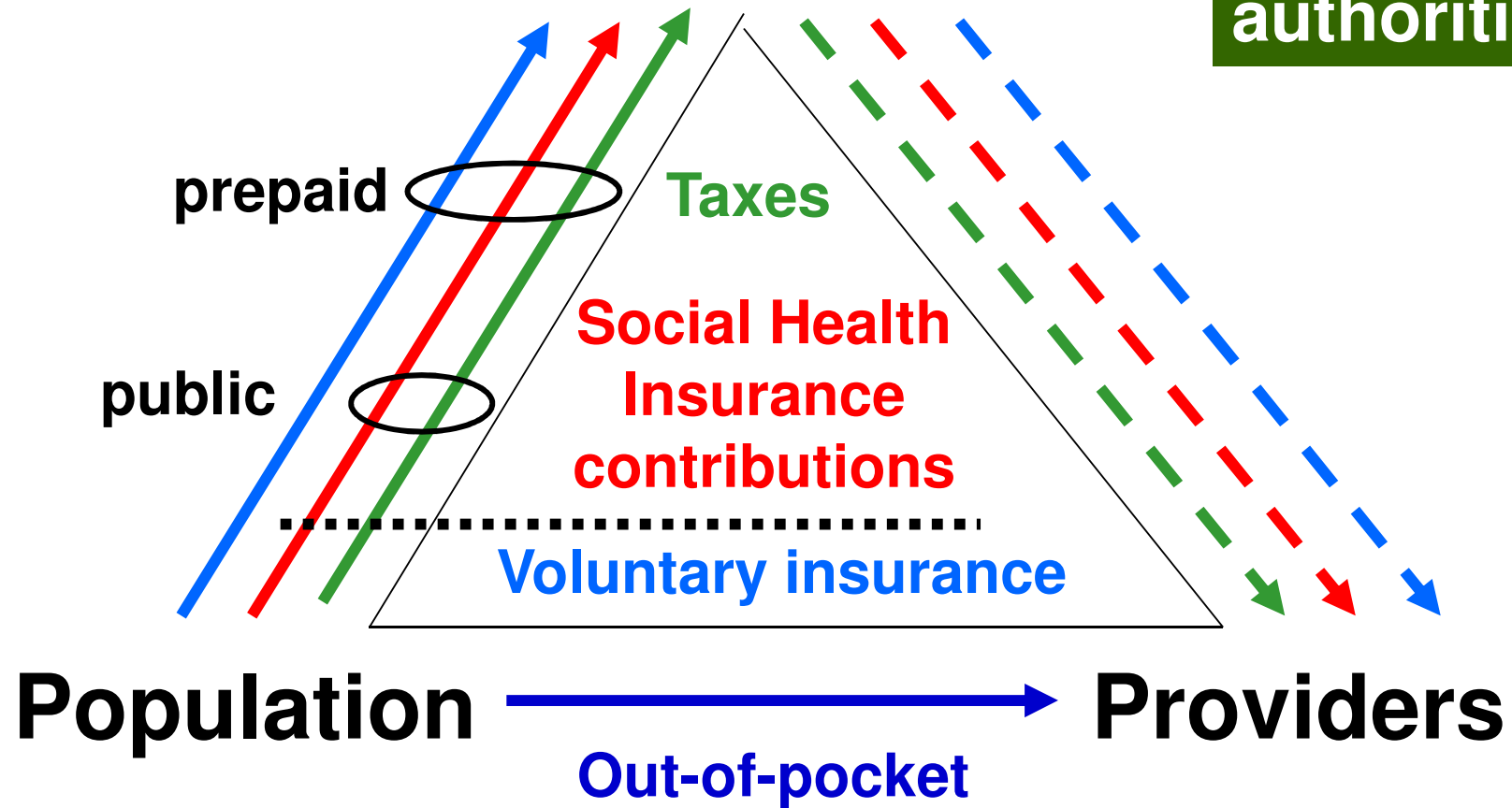
System typology

private insurers

sickness funds

Third-party Payer

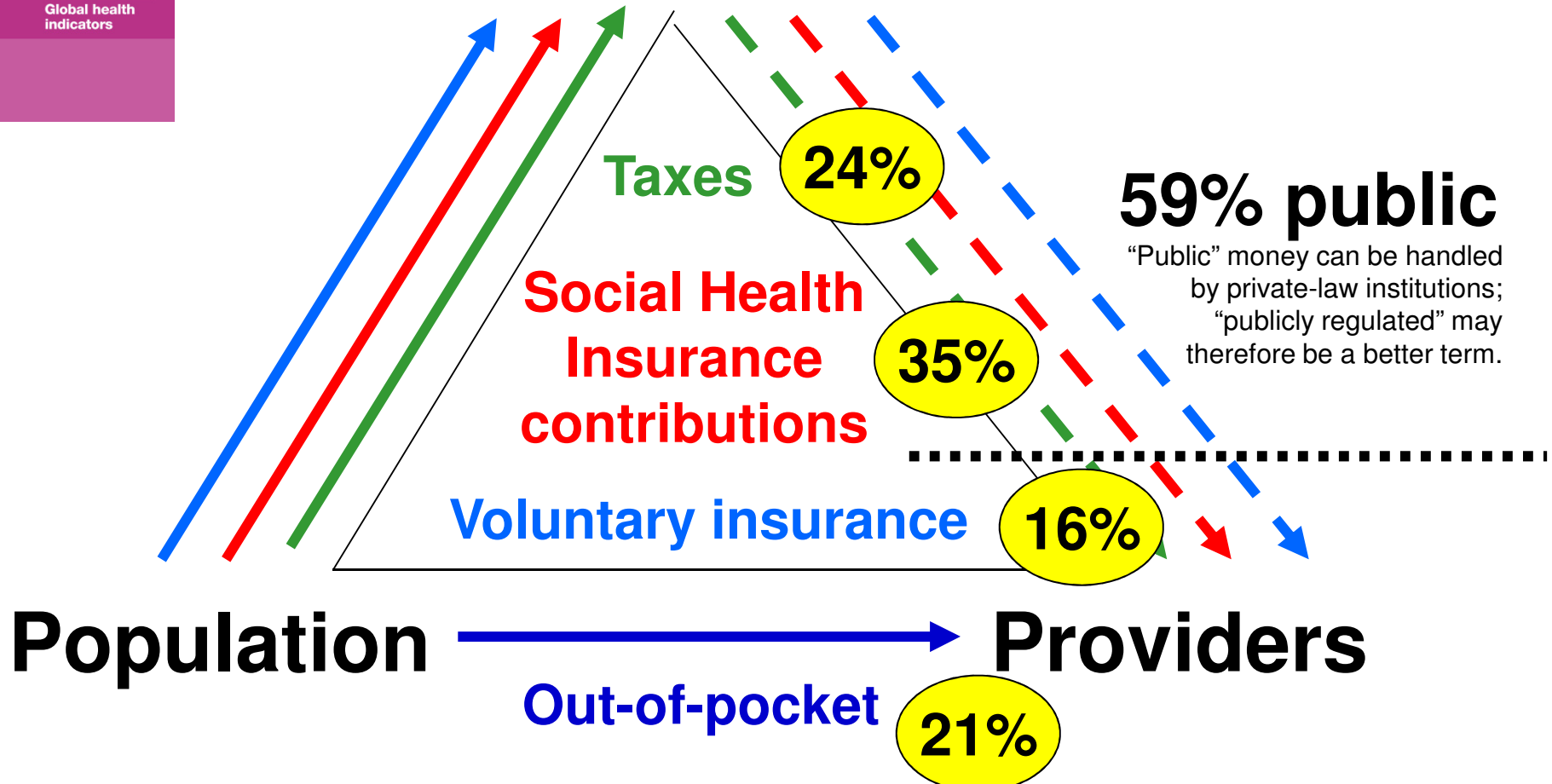
health authorities



Finding the “right“ funding mix ...



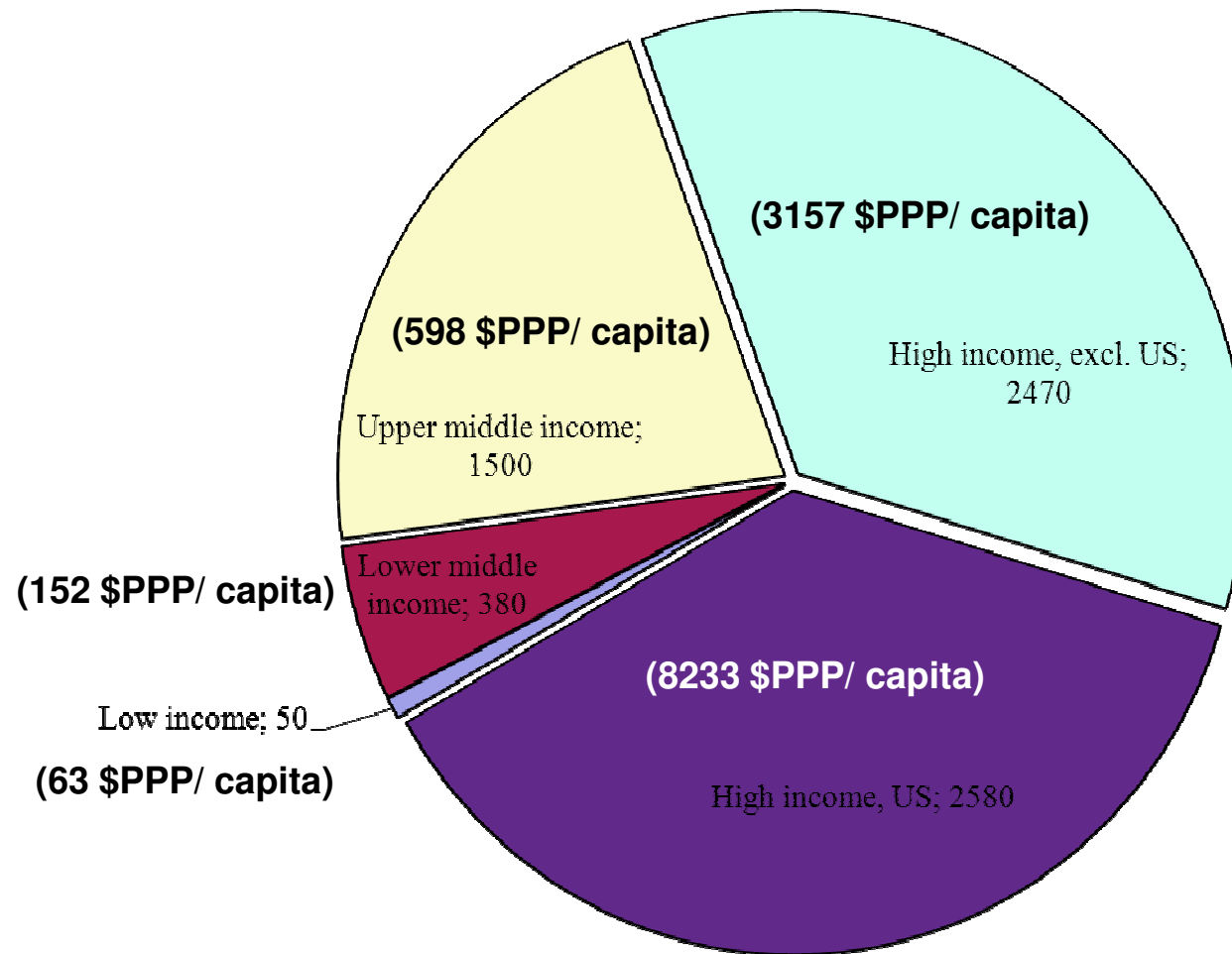
Third-party Payer



World-wide 2010 (large US market!)

1000 \$PPP = 9.2% of GDP

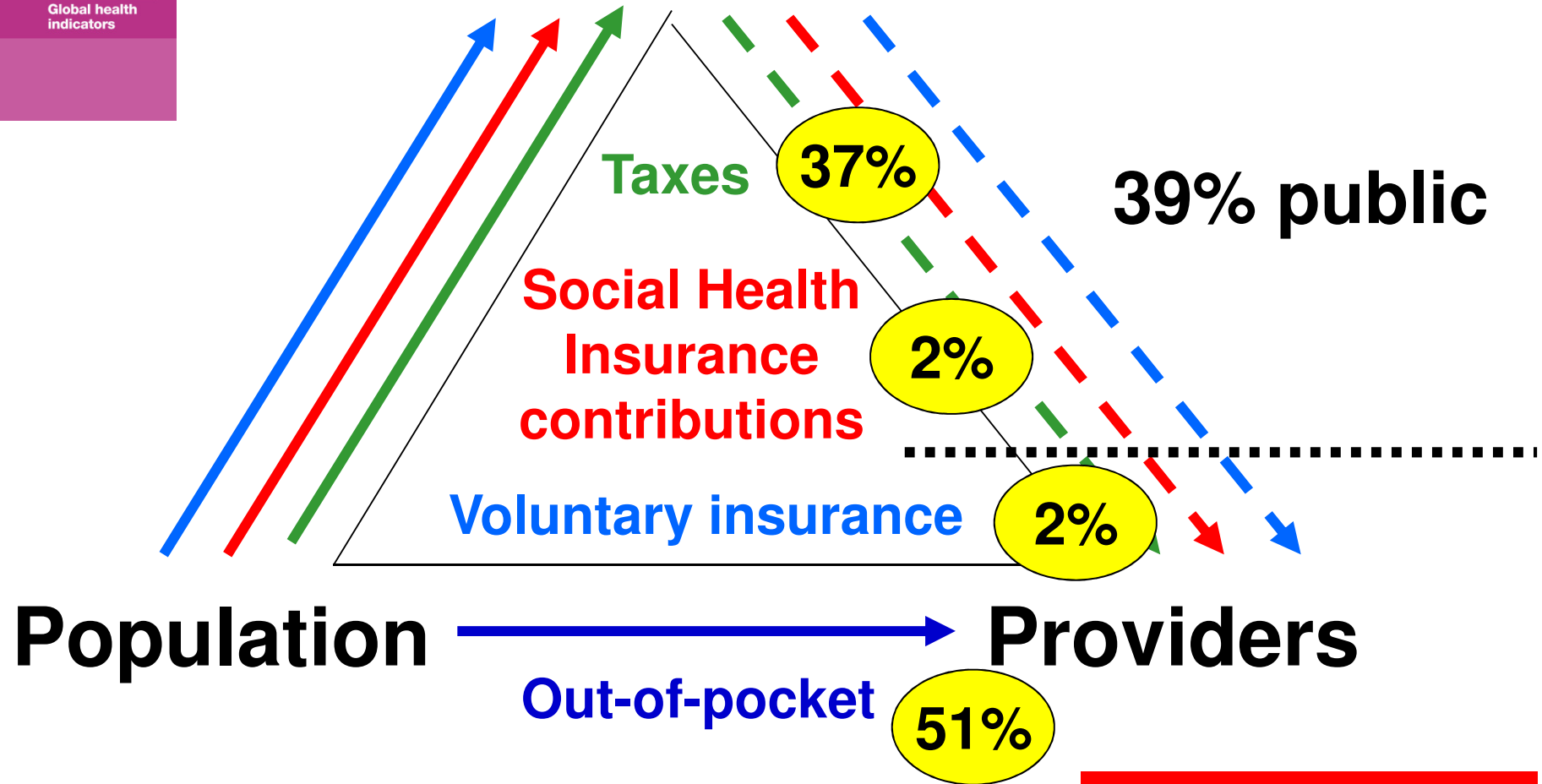
Total expenditure on health in billion PPP Int\$



Global expenditure on health 2010: around \$ 7 trillion (7,000,000,000,000)

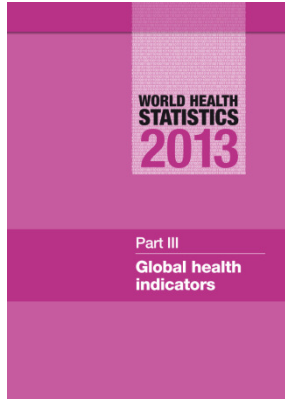


Third-party Payer

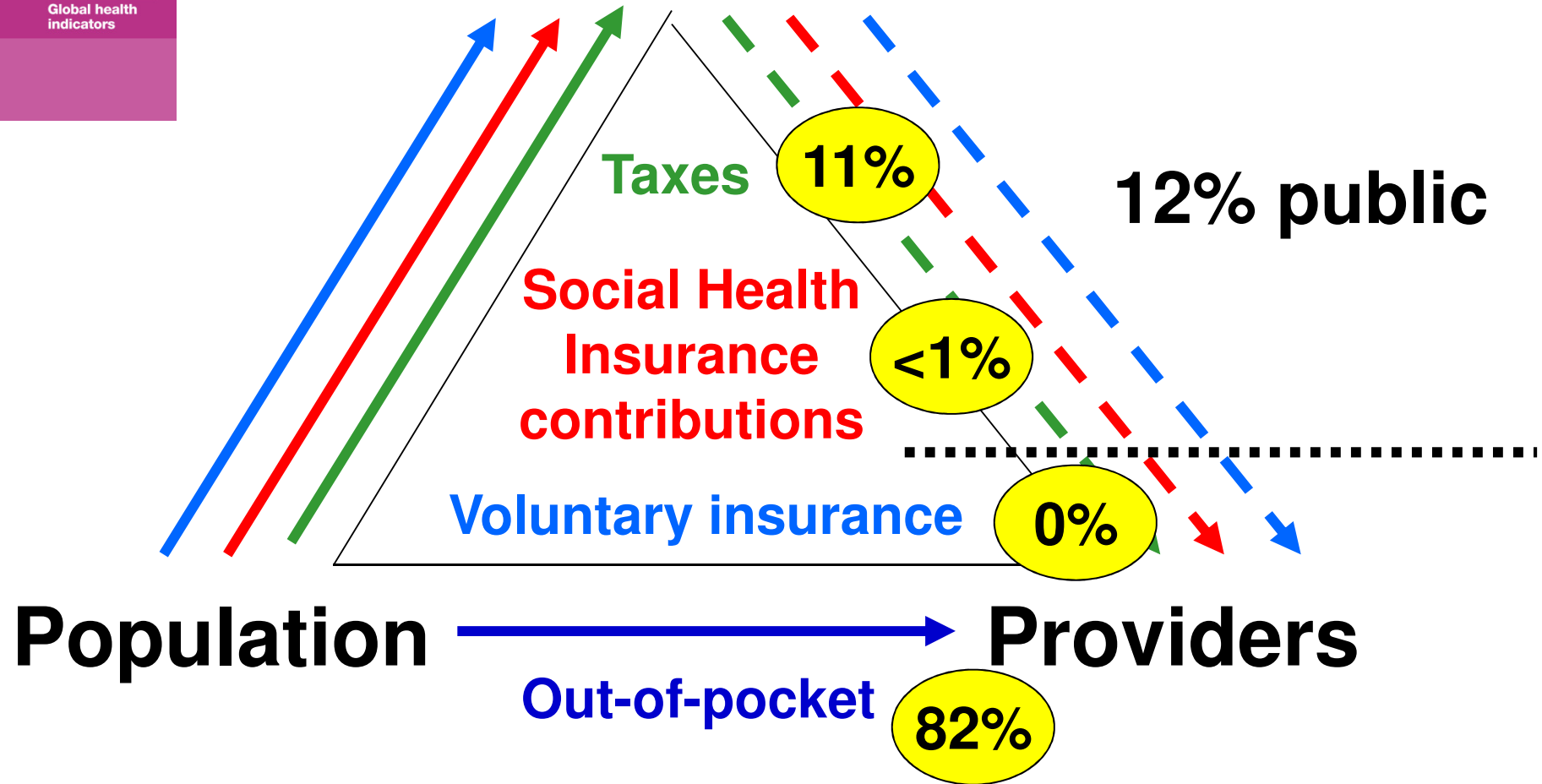


Low-income countries 2010

60 \$PPP =
5.3% of GDP

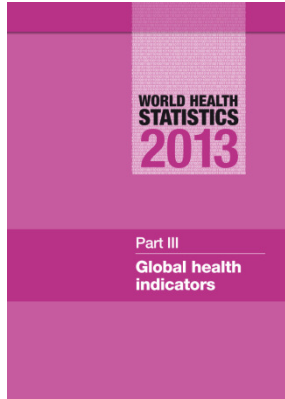


Third-party Payer

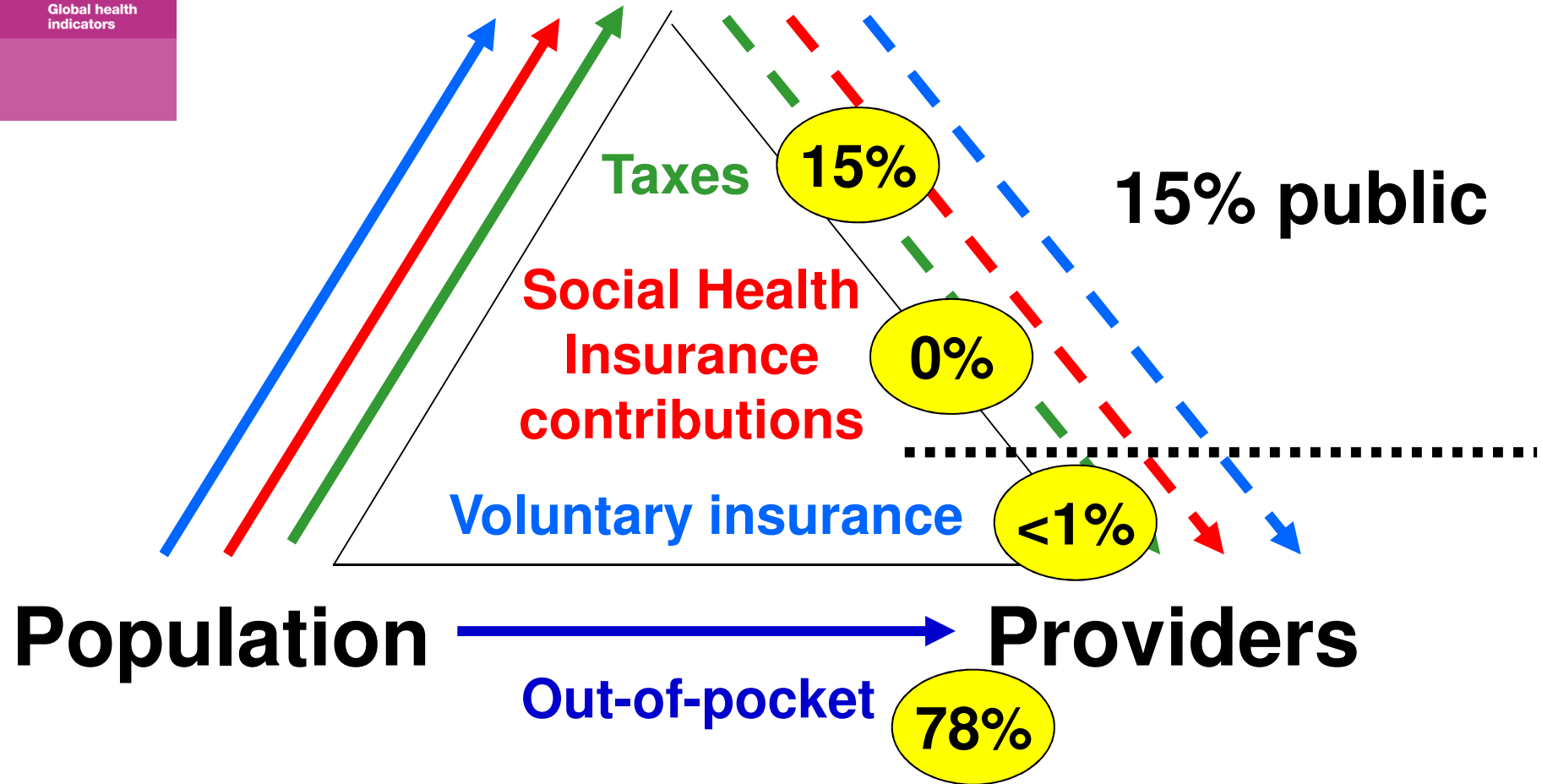


Myanmar 2010

2.0% of GDP

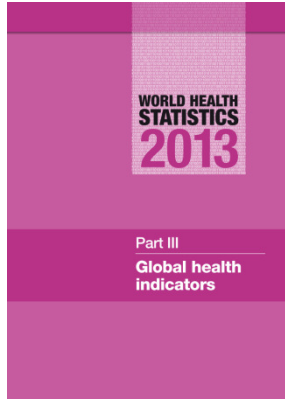


Third-party Payer

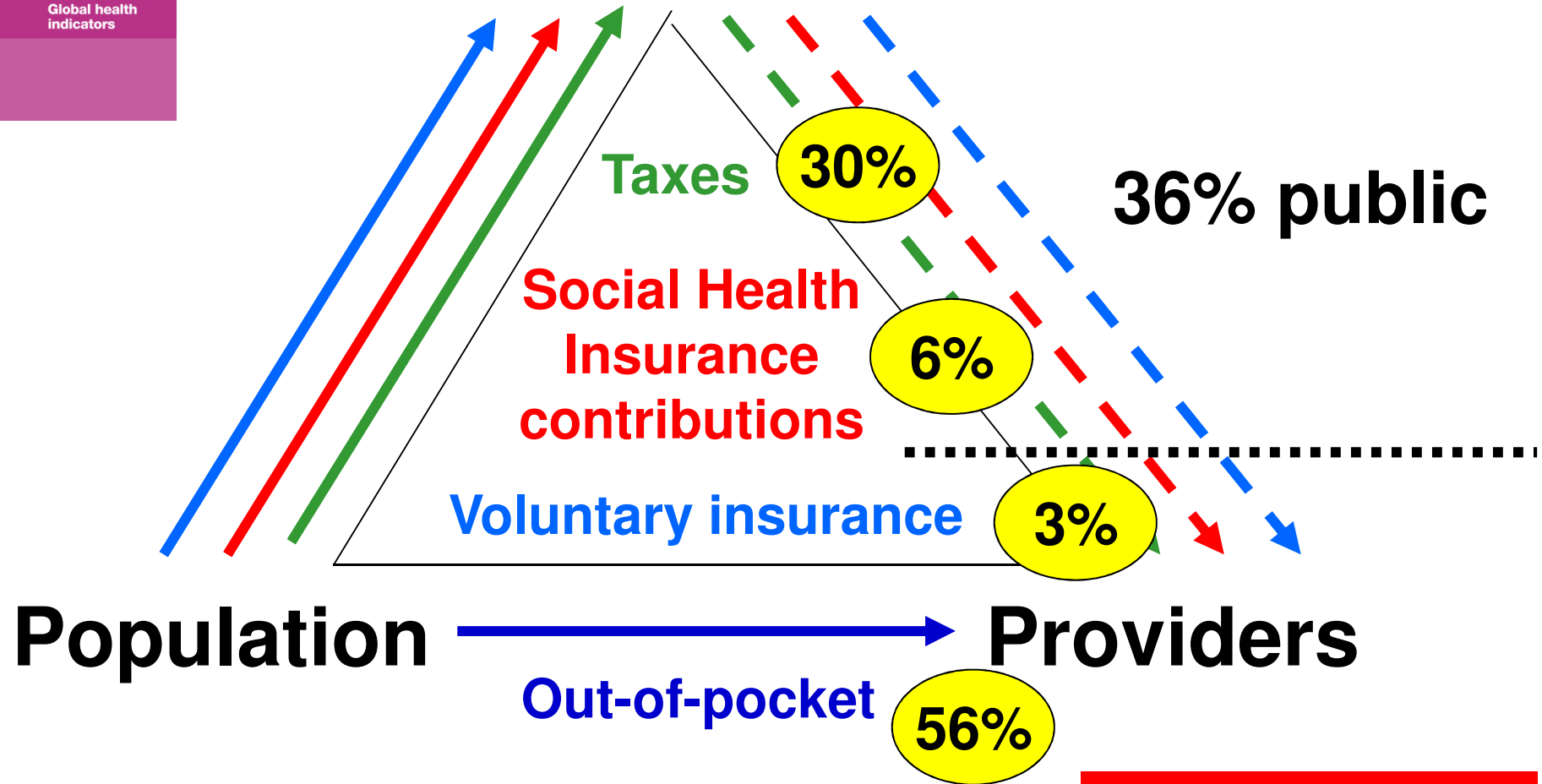


Sierra Leone 2010

20.8% of GDP

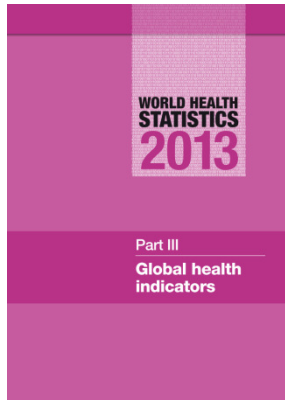


Third-party Payer

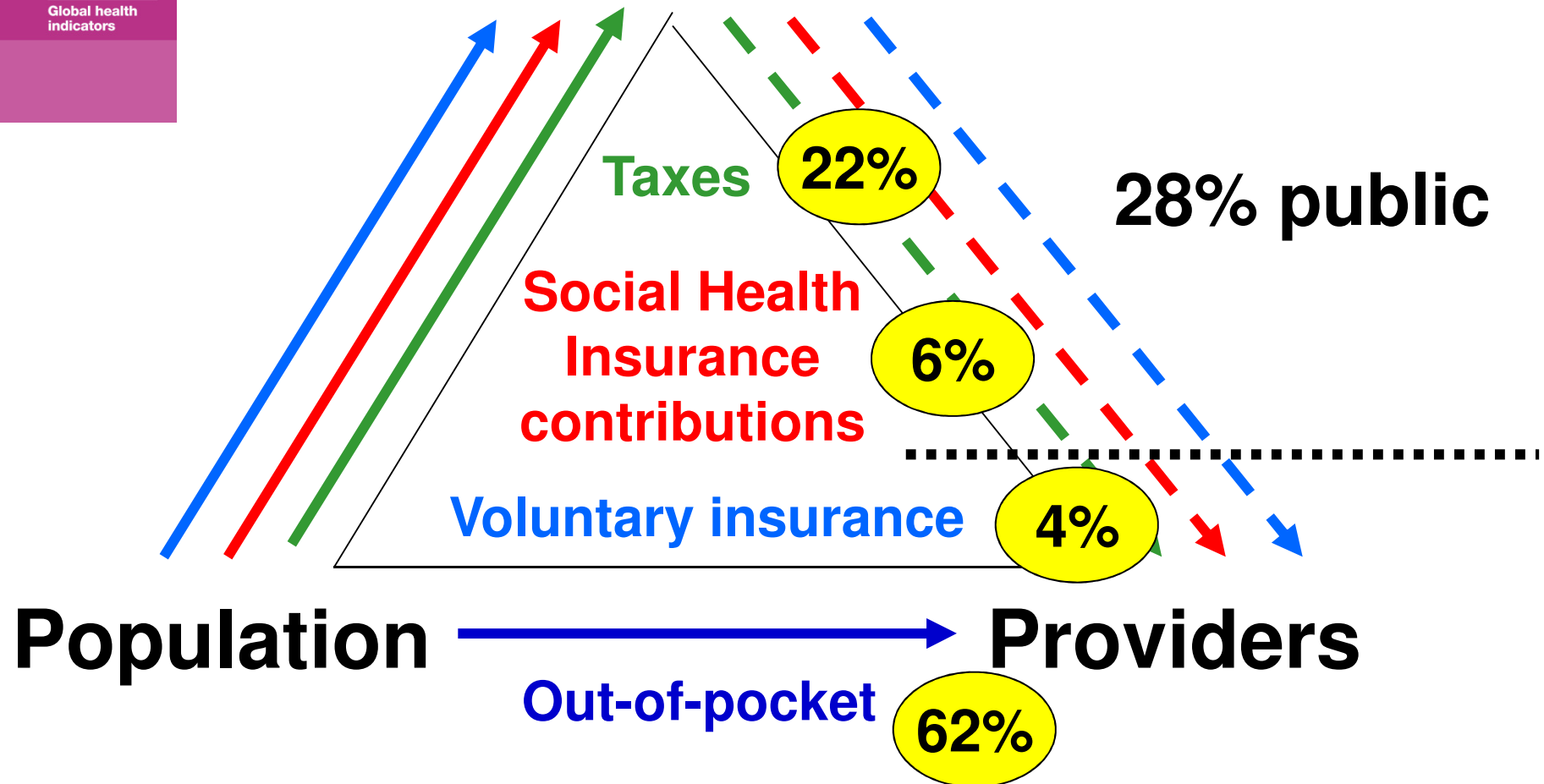


Lower middle income 2010

150 \$PPP =
4.3% of GDP

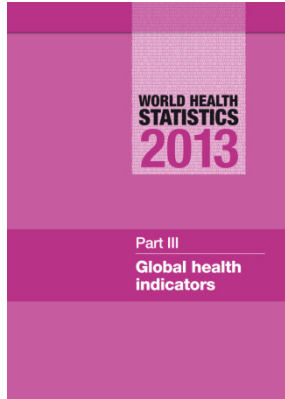


Third-party Payer

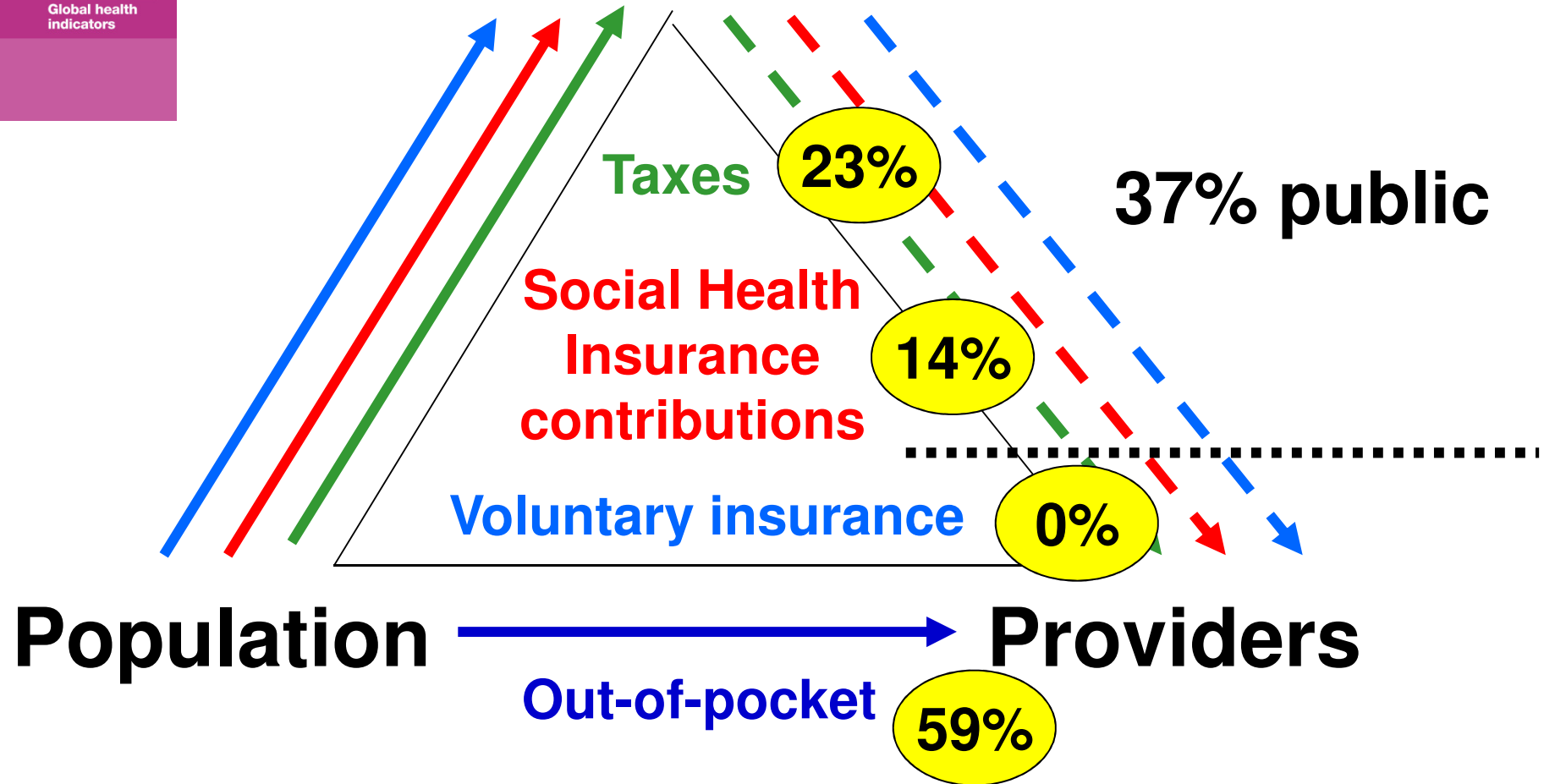


India 2010

3.7% of GDP

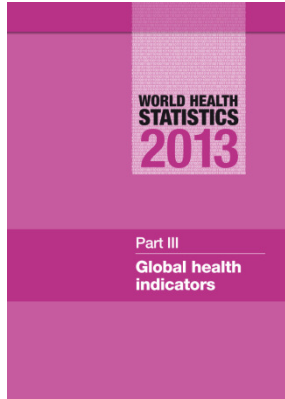


Third-party Payer

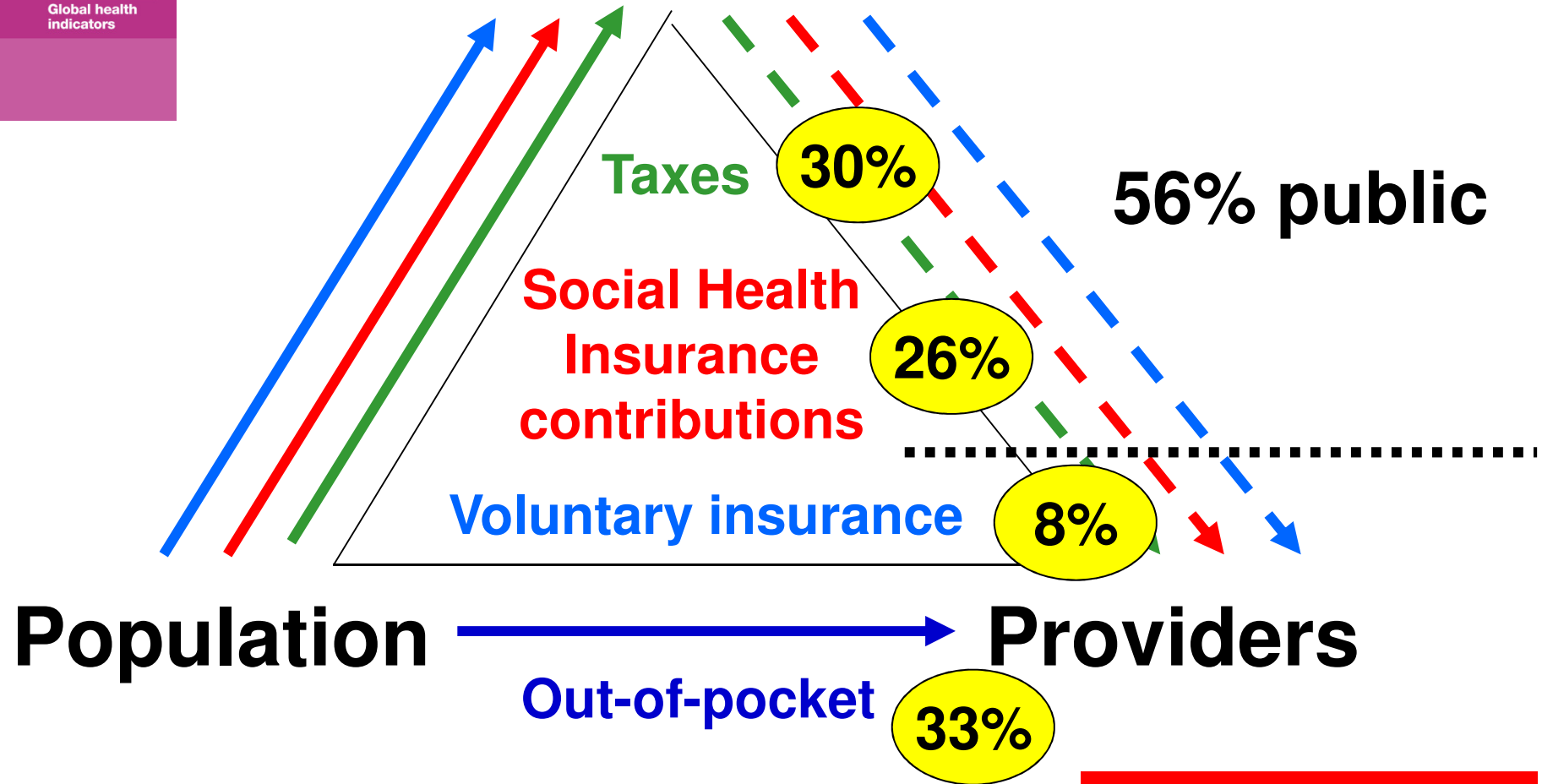


Vietnam 2010

6.8% of GDP



Third-party Payer

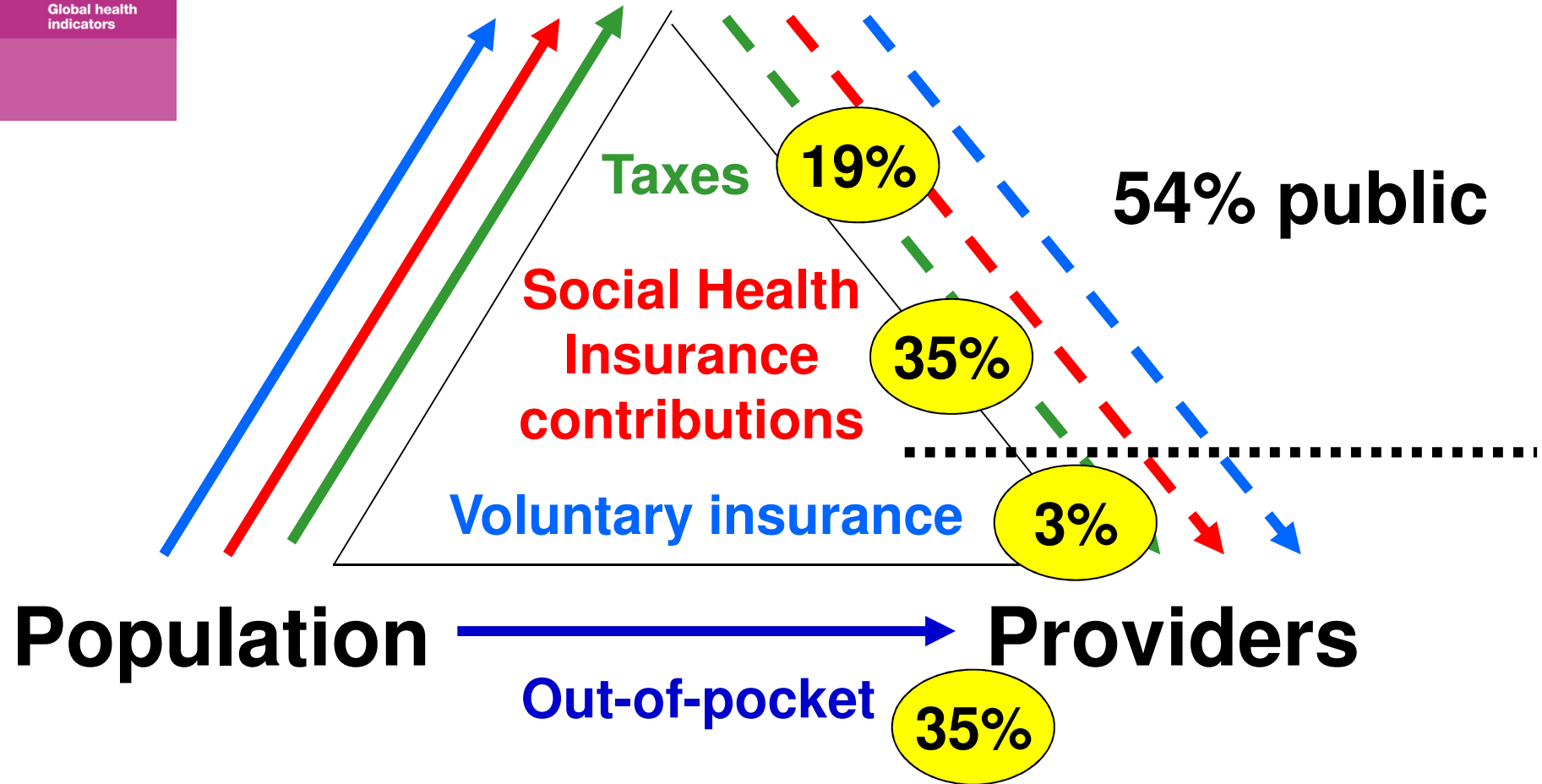


Upper middle income 2010

600 \$PPP =
6.0% of GDP



Third-party Payer

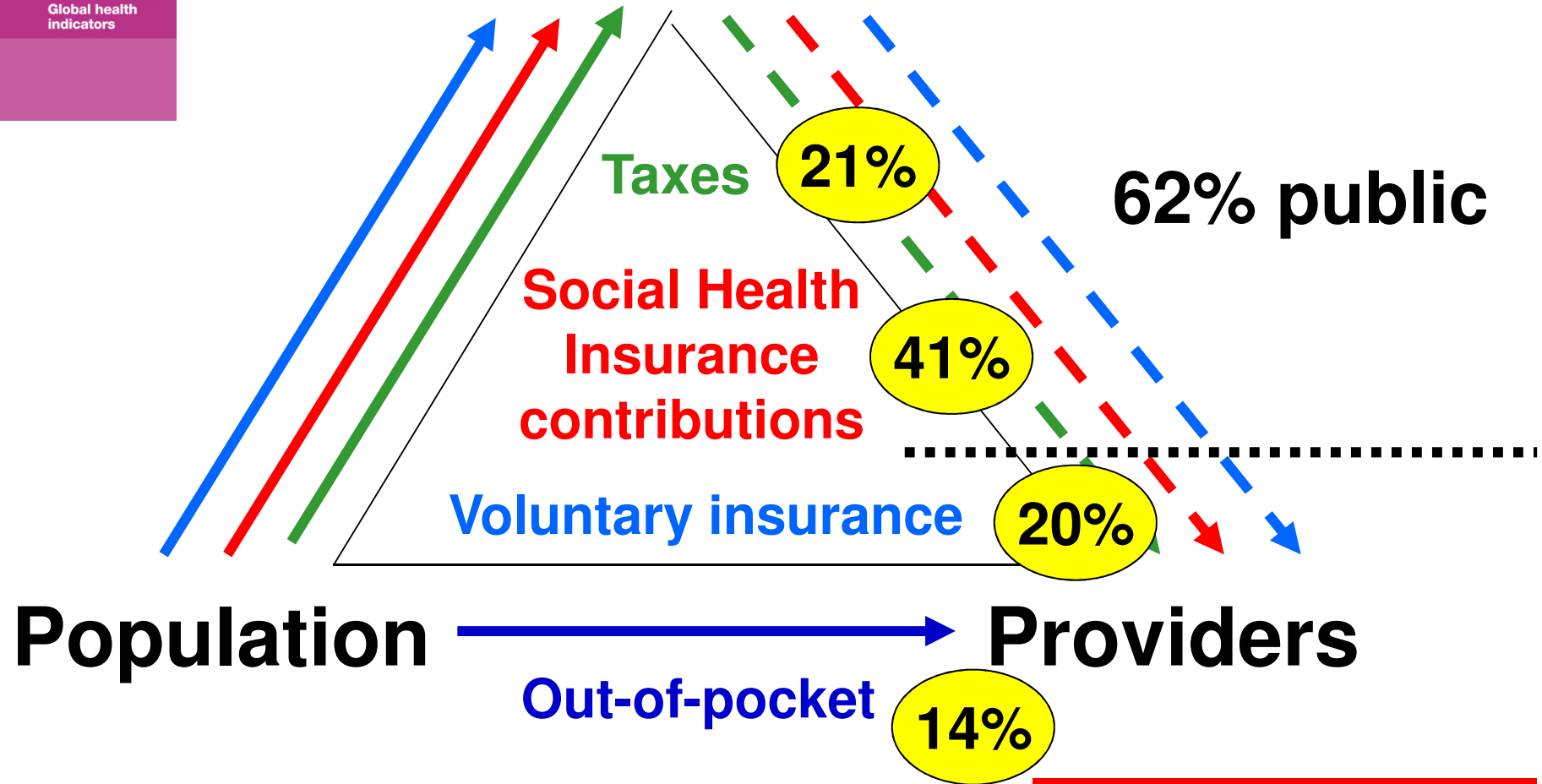


China 2010

5.0% of GDP

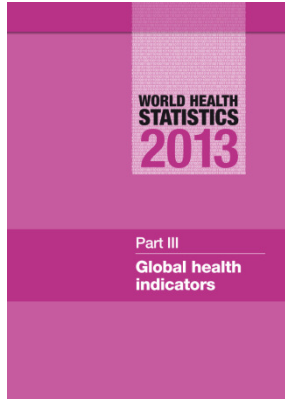


Third-party Payer

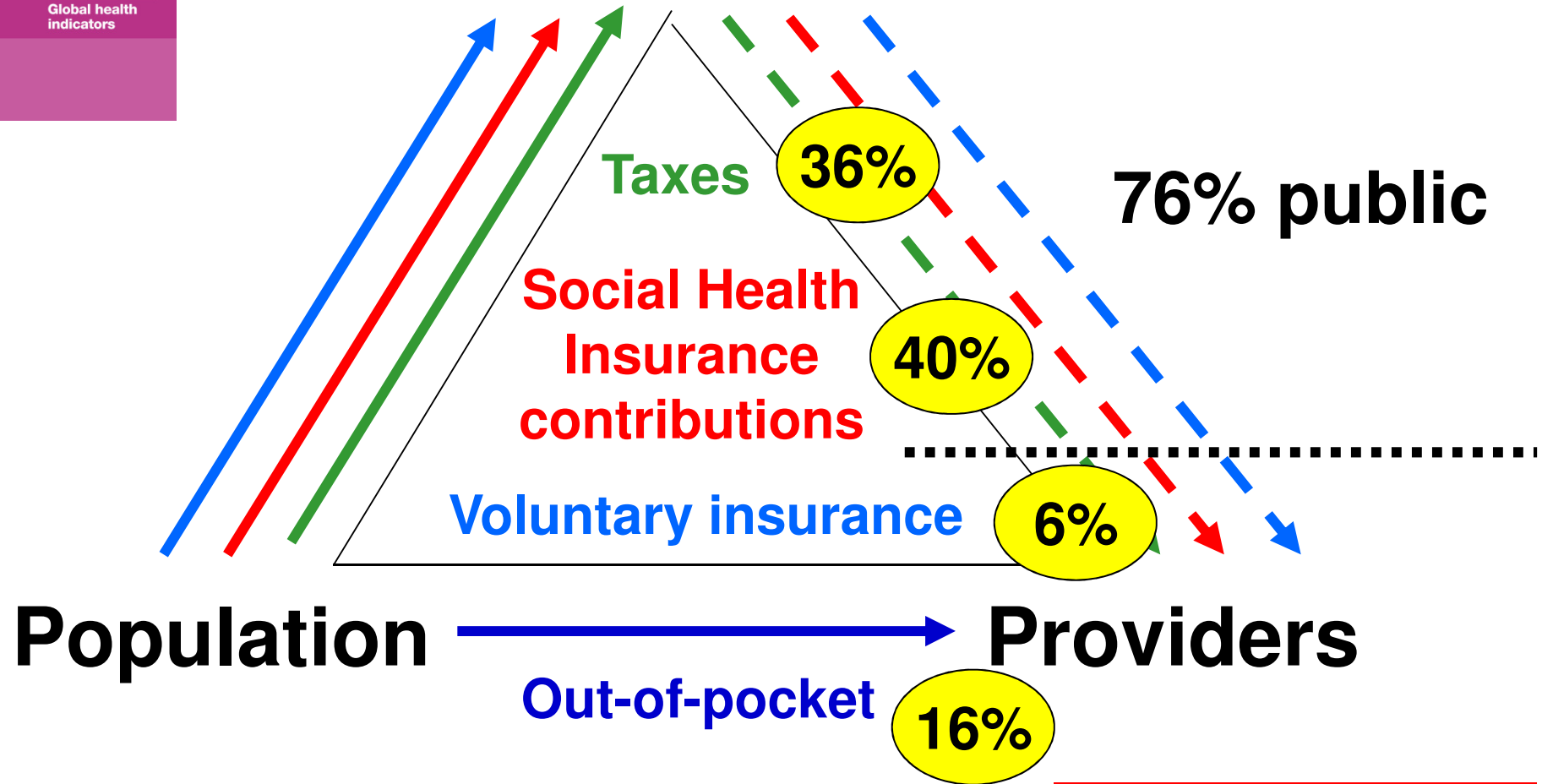


High income 2010

4600 \$PPP =
12.4% of GDP

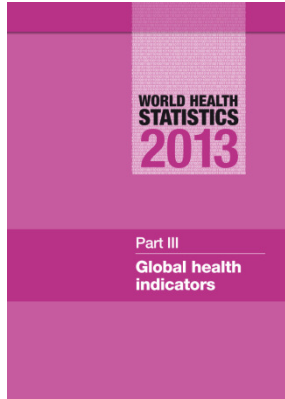


Third-party Payer

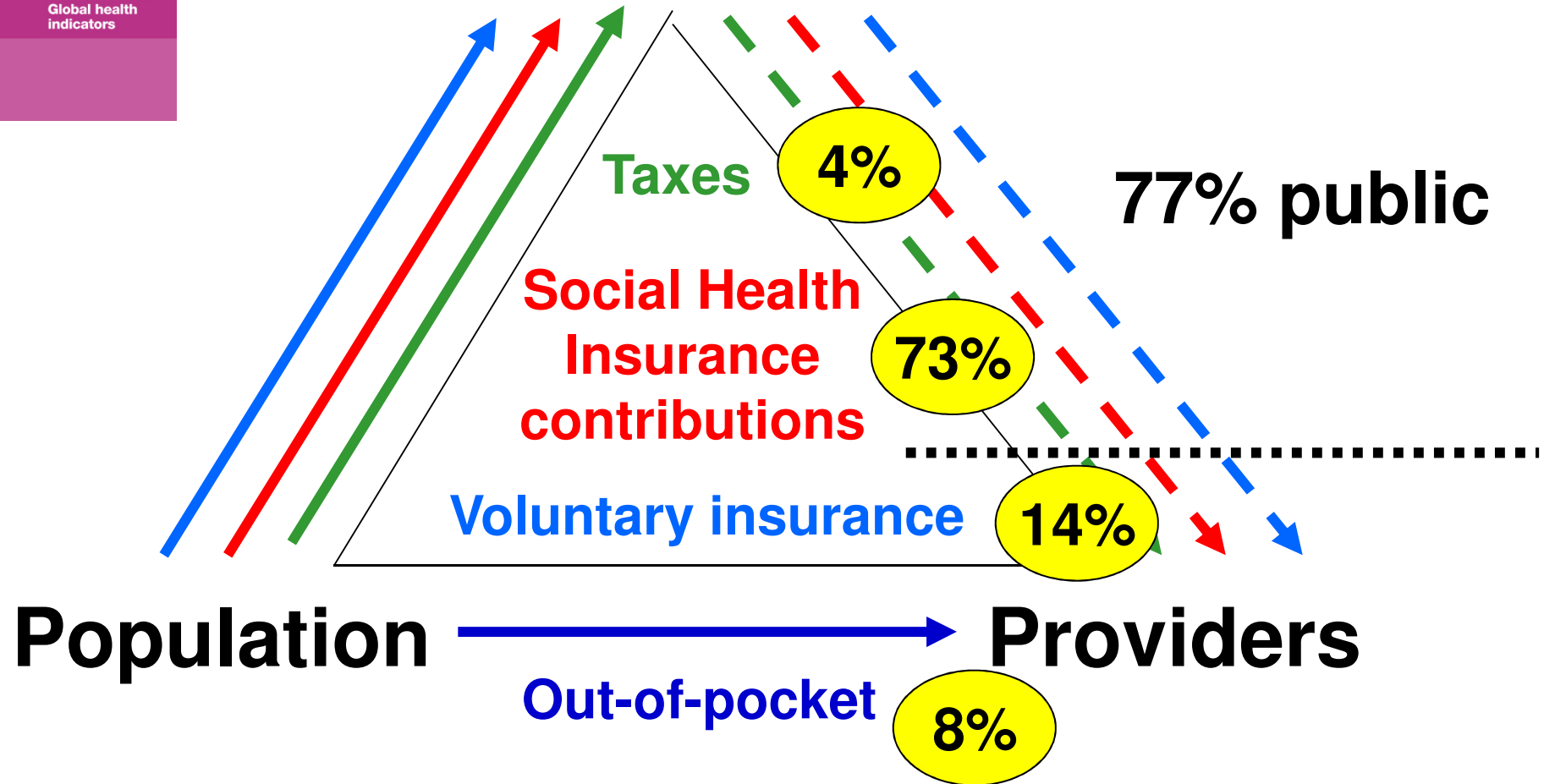


High income excl. US 2010

3200 \$PPP = 9.5% of GDP

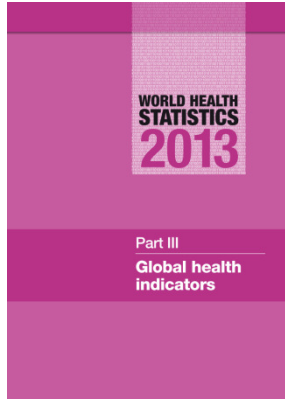


Third-party Payer

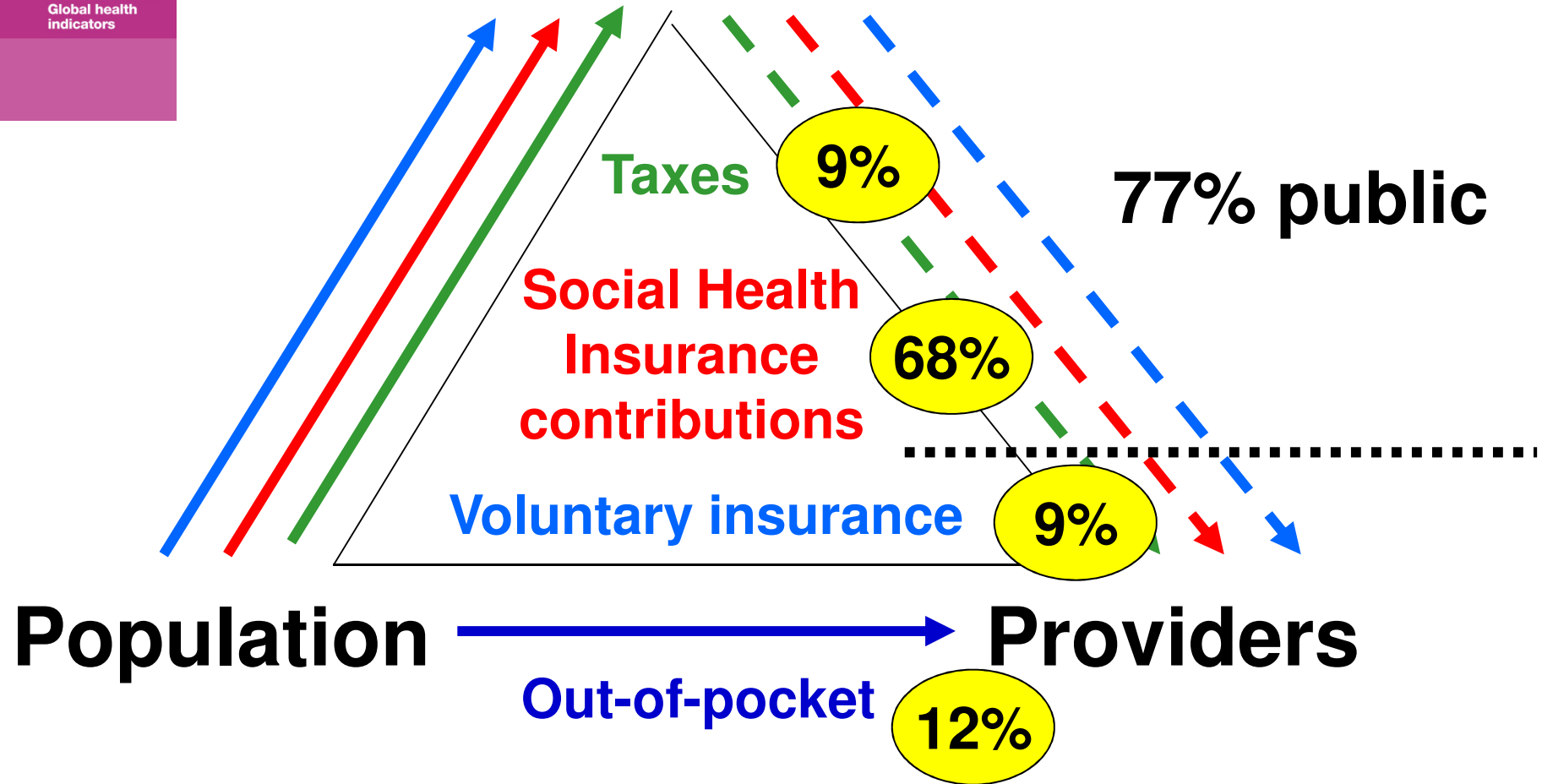


France 2010

11.7% of GDP

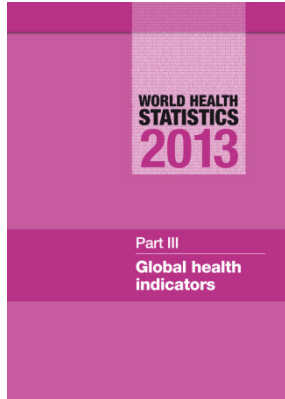


Third-party Payer

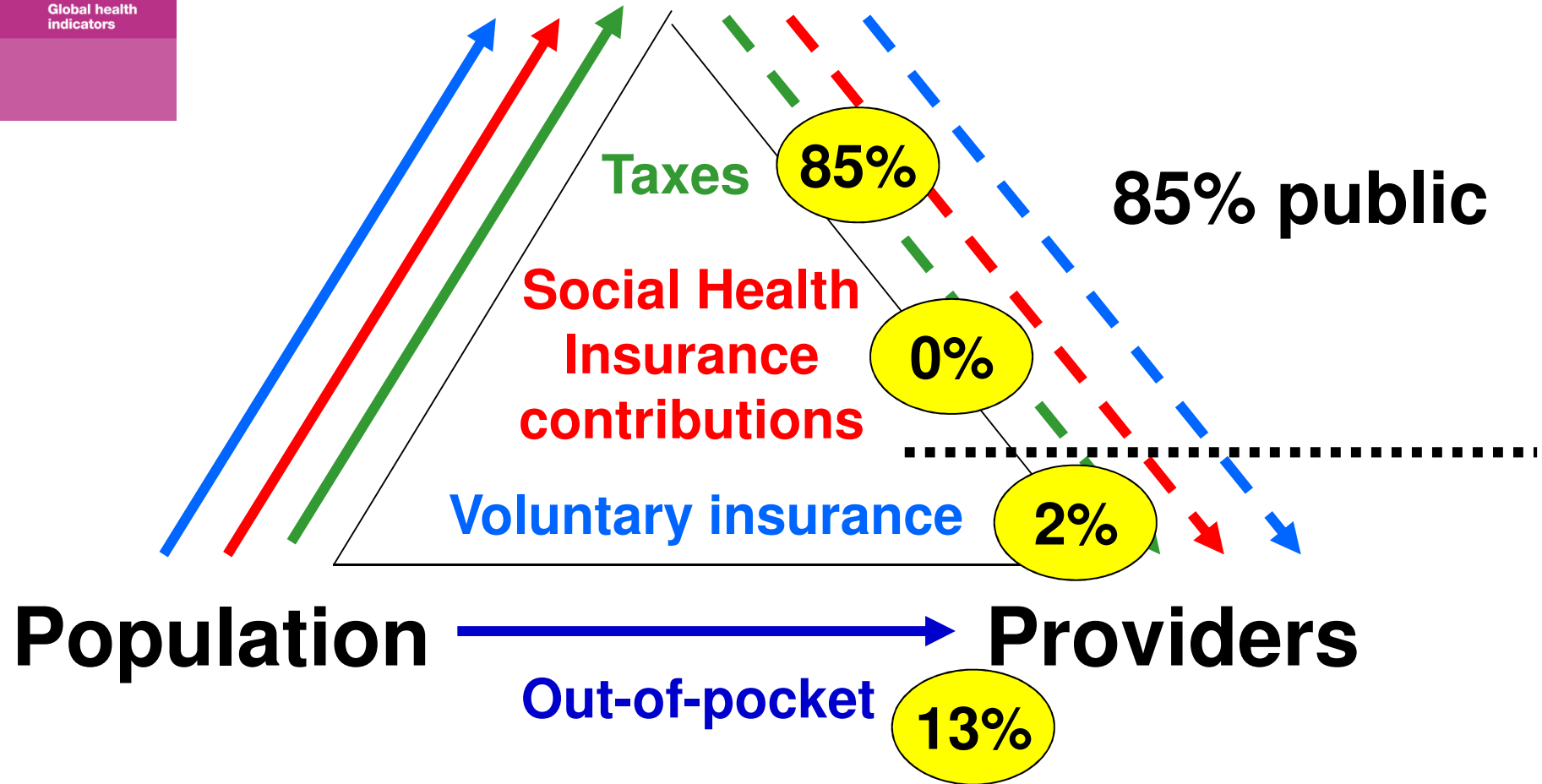


Germany 2010

11.5% of GDP

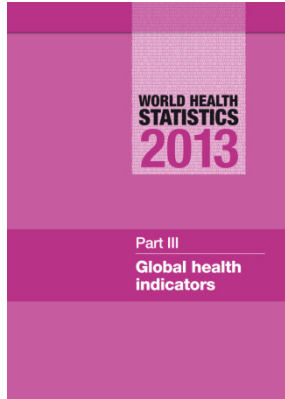


Third-party Payer

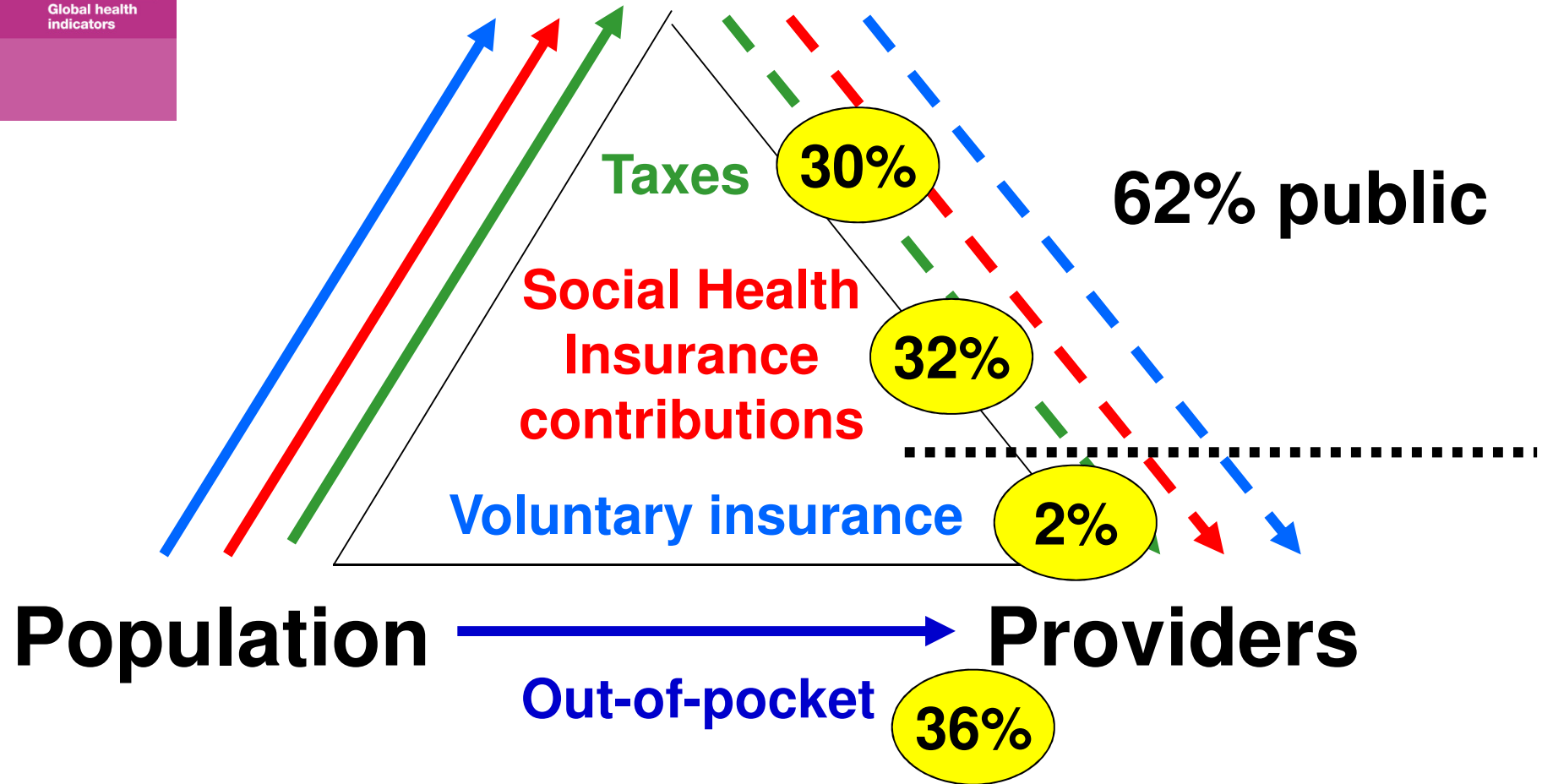


Denmark 2010

11.1% of GDP



Third-party Payer

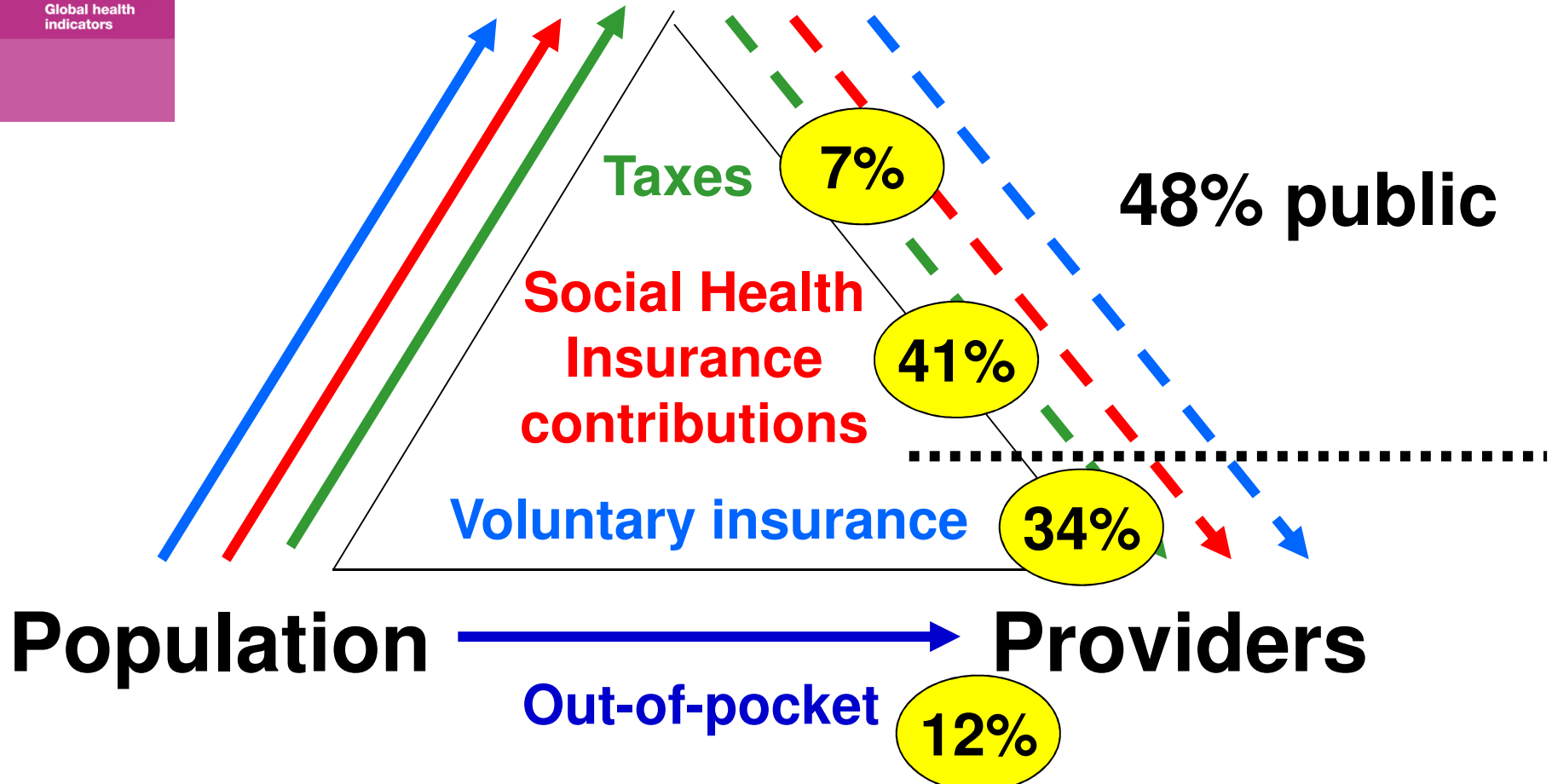


Greece 2010

10.8% of GDP



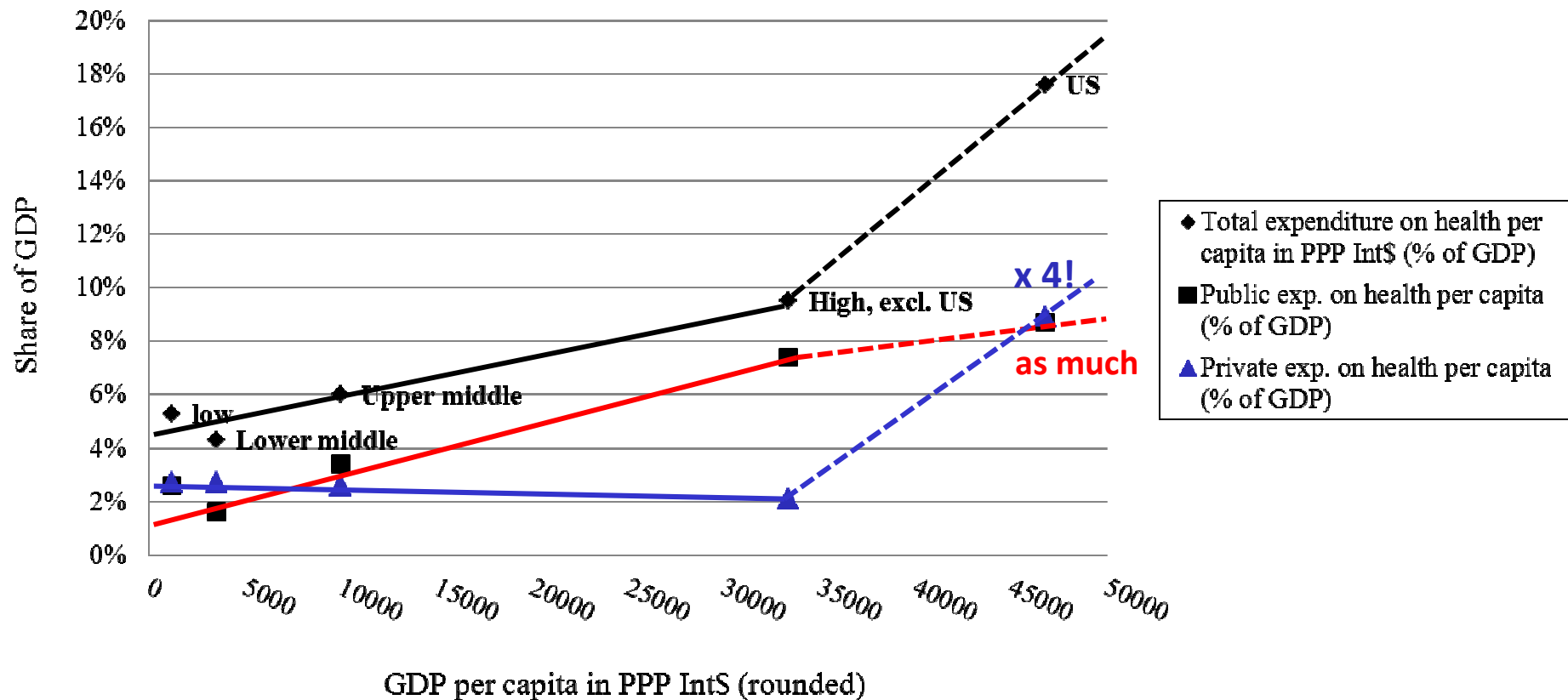
Third-party Payer



USA 2010

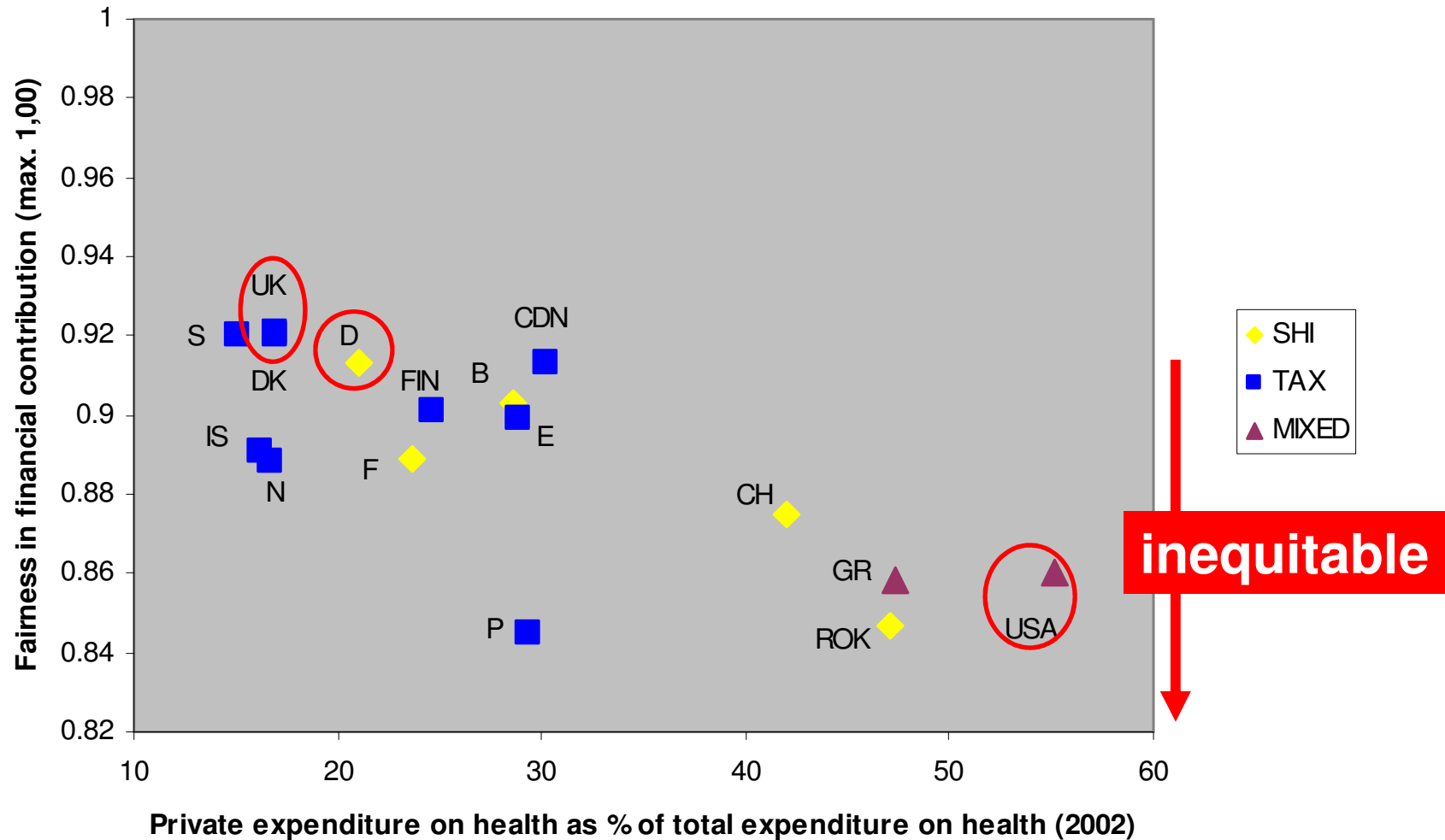
8200 \$PPP =
17.6% of GDP

The richer countries are, the more they spend publicly (with the exception of the US) ...

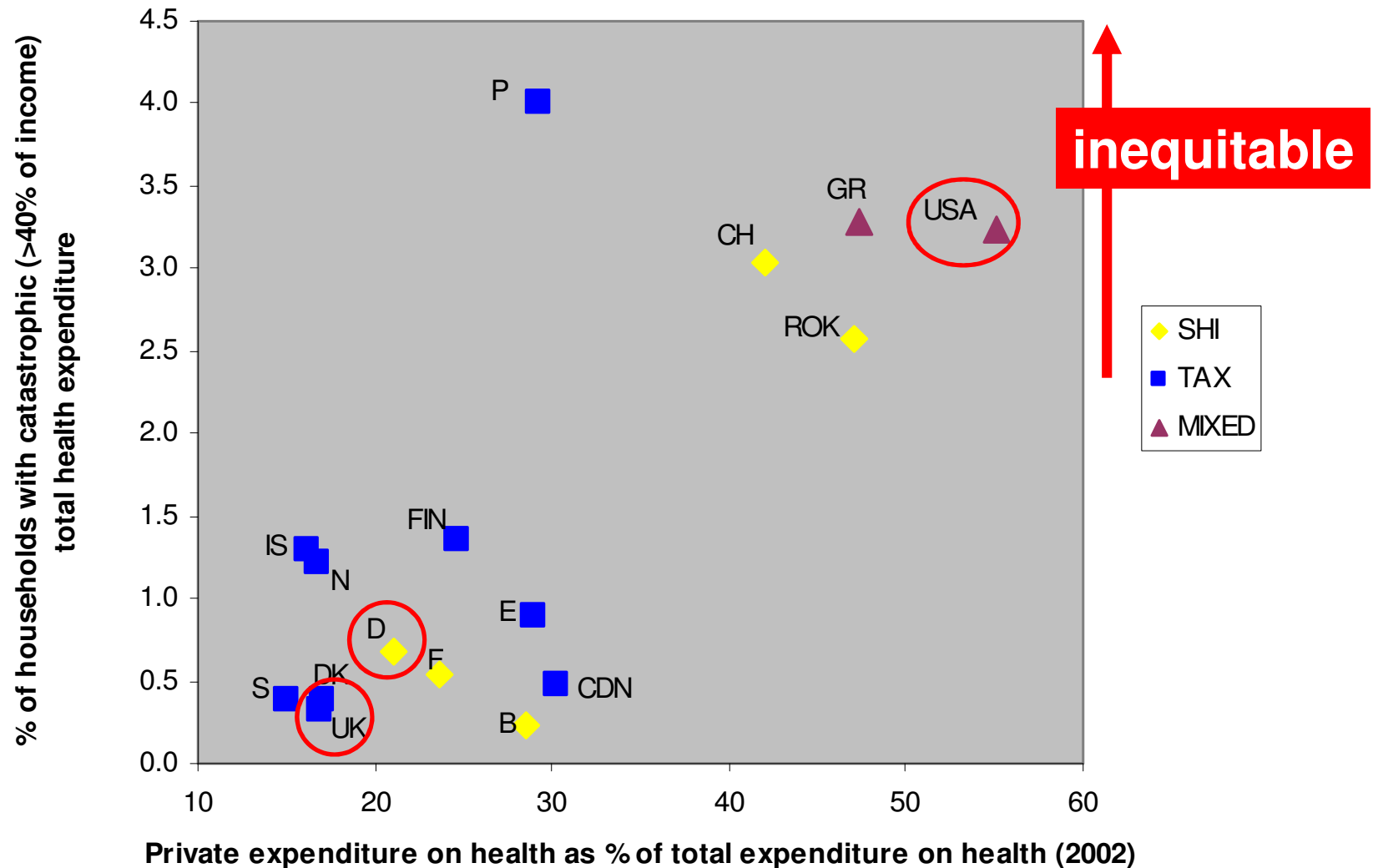


... but is more public better?

Correlation between private expenditure (as % of total health care expenditure) and the level of fairness in financing

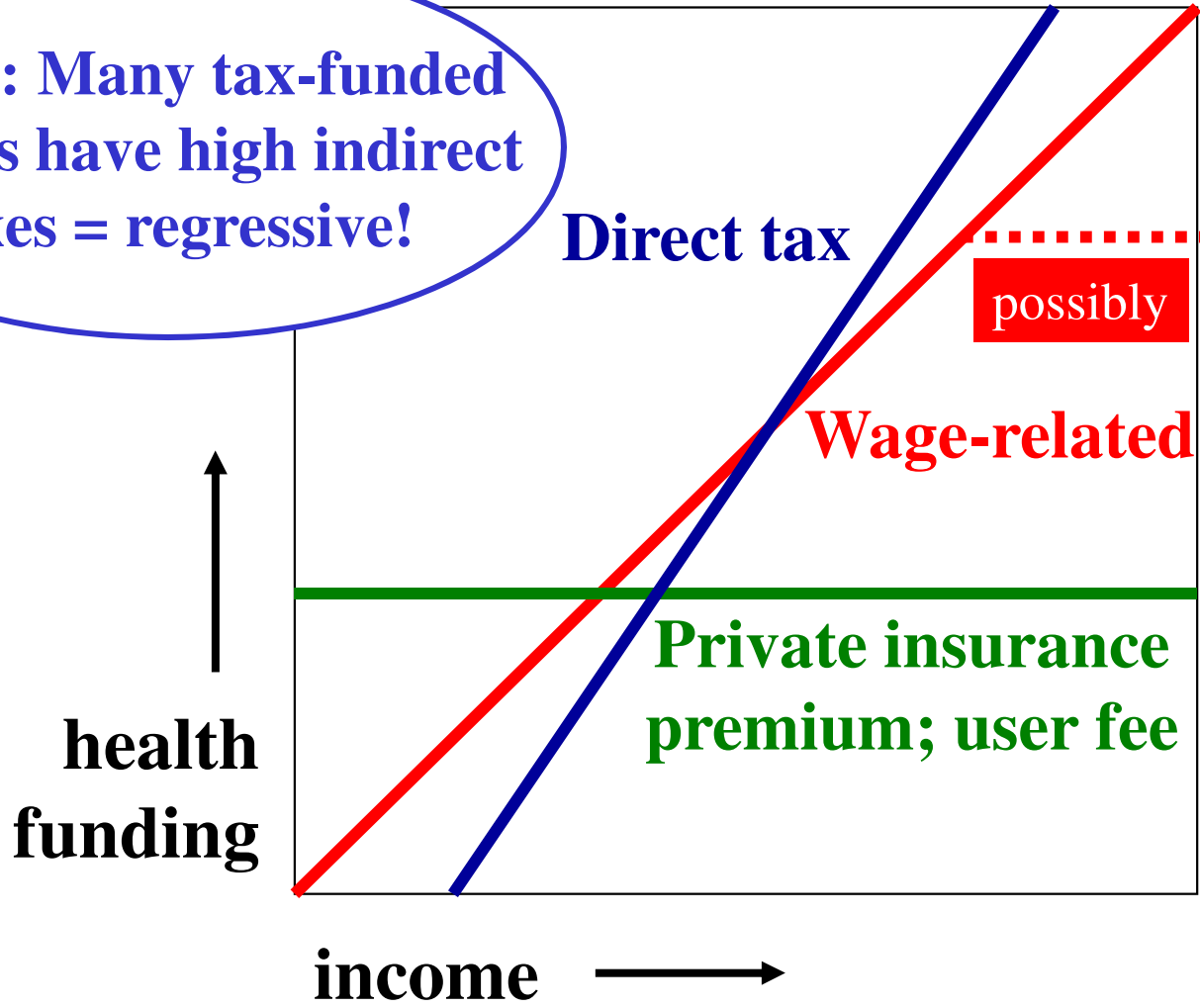


Correlation between private expenditure (as % of total health care expenditure) and the percentage of households with catastrophic health expenditure



progressive = equitable = „good“

CAVE: Many tax-funded systems have high indirect taxes = regressive!



proportional = „not so good“

Wage-related contribution

regressive = not equitable = „bad“

BUT: Low-income households may get (tax-financed) tax-subsidies to pay for insurance premiums.

Pooling

allocation

Dependent on risk, but independent of actual utilisation

Contribution collector

Third-party payer

Independent of risk, need and utilisation, i.e. income-related or community-rated

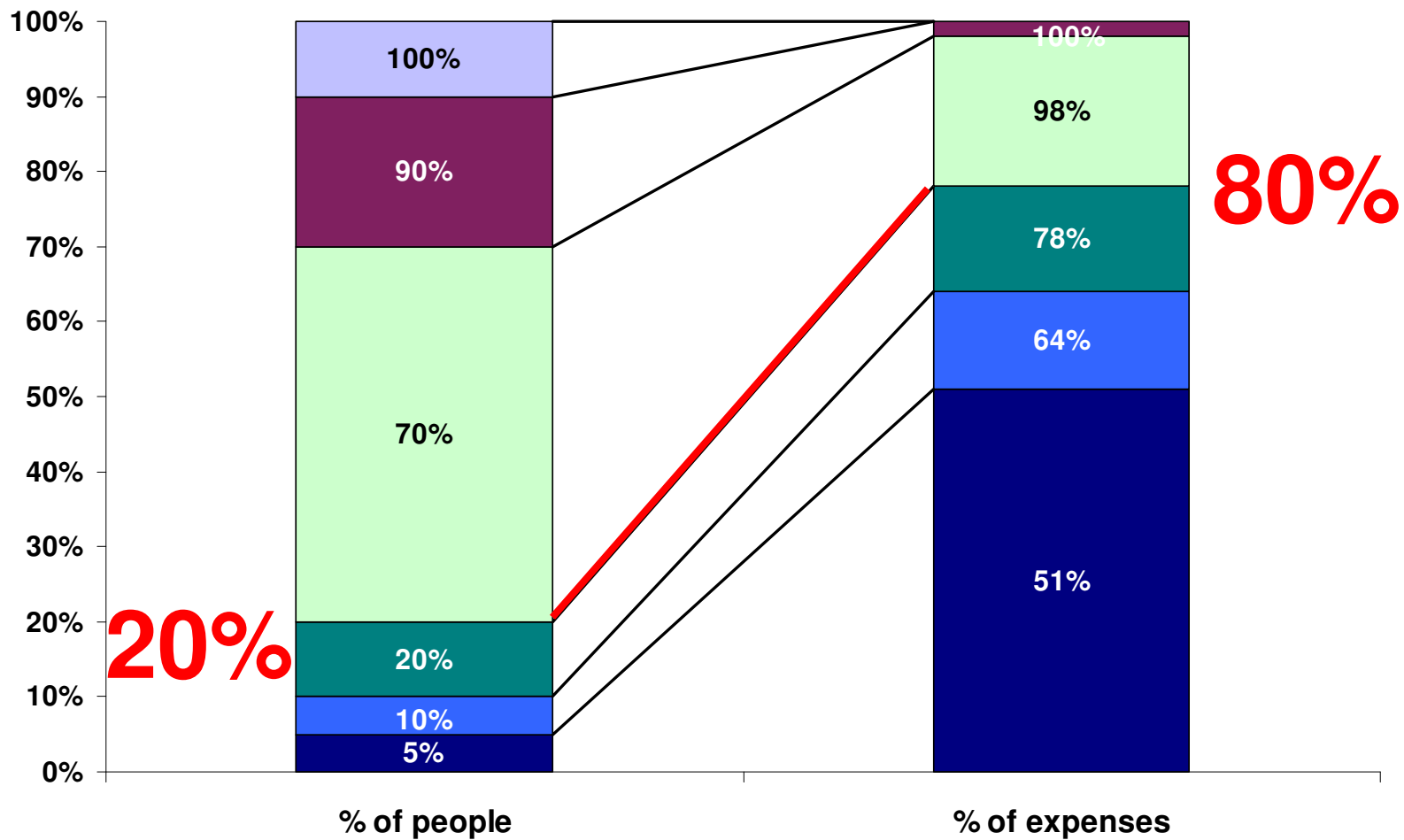
Dependent on volume, appropriateness (service = need) and quality, steered by priorities and incentives

Population

Providers

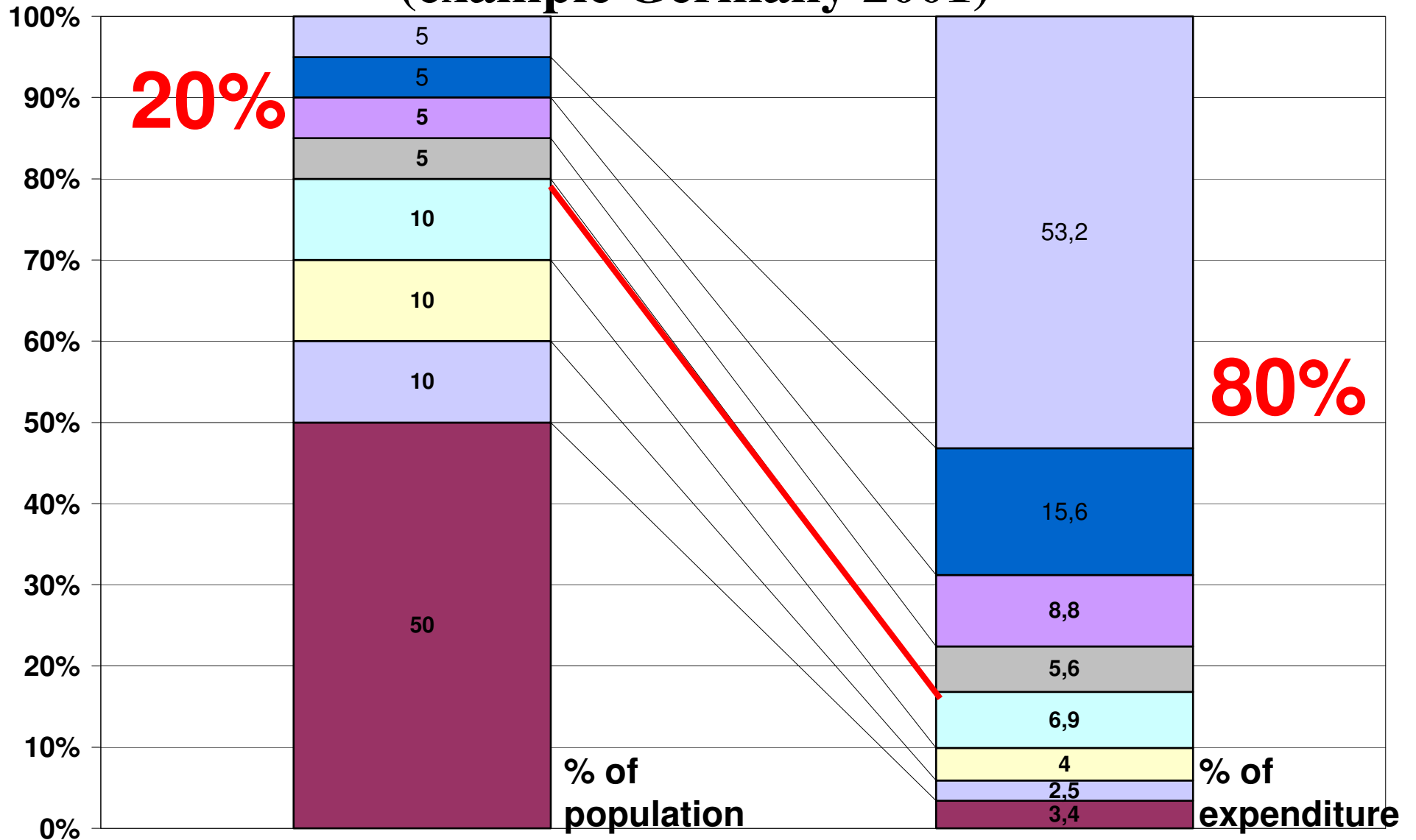
Ability to pay Solidarity Need

Expenditure is highly skewed: 5% of population account for >50% of expenditure (example France 2001)

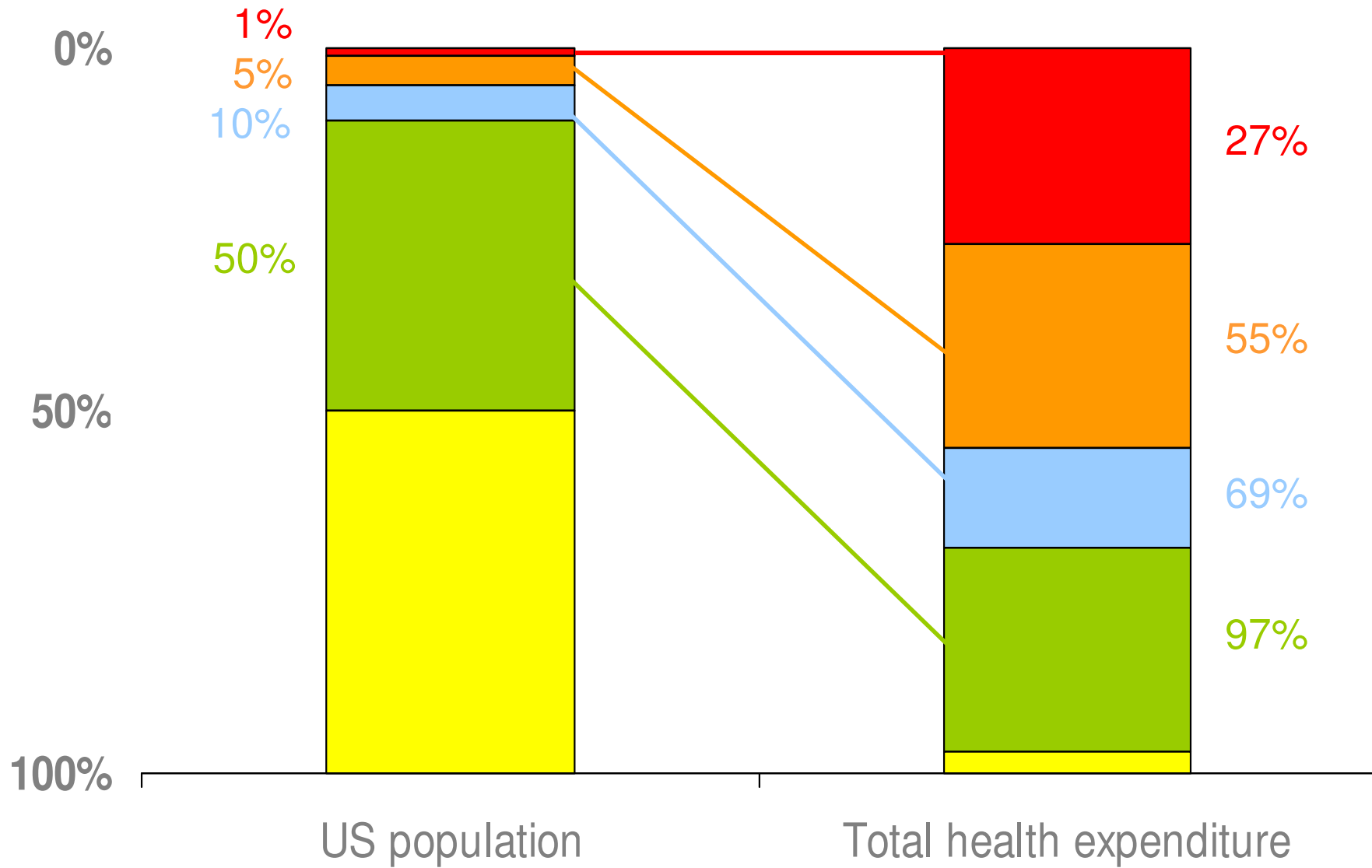


Source : CNAMTS/EPAS

Expenditure is highly skewed: 5% of population account for >50% of expenditure (example Germany 2001)



... and the same picture in the USA



Source: Monheit 2003 and Berk and Monheit 2001

Issues for discussion:

Do allocate to regions with ...

- more elderly
- more ill persons
- lower life expectancy
- more persons in urban areas
- more hospital beds and physicians

more money?