



HEALTHCARE FINANCING AND PAYMENT OPTIONS IN PAKISTAN; A REVIEW OF PAKISTAN'S HEALTH FINANCING SYSTEM.

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ABSTRACT

INTRODUCTION: Health care financing is funds that are allocated for the populations, a system to mobilize funds to run healthcare systems and to develop payment mechanism for health care systems. In developing countries planners mostly face issues in managing the healthcare financing. States fail to regulate service and goods and its provision to the population leading to market failure of products and services which makes the financing system complex. Pakistan is not even near to achieve targets to spent good on health and it has become a dream for Pakistan to spent 5% of its GDP on health. This study used a semi-structured review of the different articles that are published in English language from 2008 to 2019. Data was extracted from two search engines “Google scholar” and “PubMed”. The terms used in search engine were “Health care spending”, “Health Financing” “Out-of-pocket payments”, “Health insurance”, and “Universal health coverage”. Theoretically viewing health financing in any country can be done in five ways that are taxation (direct and indirect), private purchased insurance, financing through community, out-of-pocket payment and social insurance. In Pakistan, 61% of payments are out-of-pocket as per the National Health Accounts. It is also estimated that the overall spending of OOP for private health services has also reduced from 88.2% in the year 2009 to 86.3% in 2011. Different strategies can be used to improve the payment methods for healthcare delivery. Develop countries are now using health insurance system which are almost universal health coverage and can reduce inequity within the populations. Pakistan healthcare financing system must have a clear vision for social protection and universal health coverage. This will serve as a mean of equitable and accessible healthcare service delivery in Pakistan. National health financing policies should be developed to strengthen financing system which further can support in development of health financing strategies at provincial level.

KEY WORDS: Health, Care, Financing.

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INTRODUCTION

Defining health care financing; it is funds allocation for the populations, a system to mobilize funds to run healthcare systems and to develop payment mechanism for health care systems¹. In order to achieve the “Universal Coverage” it becomes critical point for health financing systems. There are three interrelated areas in health care financing that can accelerate universal health coverage. I) Raising health funds II) to reduce the financial burden to access

health that can be through prepayments and risk pooling rather than funds to be taken from out-of-pocket and III) Promotion of equity and efficiency through appropriate allocation of funds². The key areas identified earlier in health care financing system will determine healthcare services do exist in real world and these services are available for common people. This will also determine whether people will be able to afford these services when the actually need it. When it comes to policy making, planning and

implementation of any program, health care financing is the most important part to be considered. Evidence suggest this part is not well explored in the process and it needs to be rigorously explored and proper analysis should be done by keeping in mind are the payments given to the needy, is the discussion taken to allocate funds on the basis of equity¹.

In developing countries planners mostly face issues in managing the healthcare financing. States fail to regulate service and good and its provision to the population leading to market failure of products and services which makes the financing system complex. Further many factors like, lack of resources, increasing burden of diseases, increase in population growth, non-regulation of private sector, displacement of priorities due to budget constraints, inappropriate use of available resources, weak administration and tax payment systems and no clue for the alternative methods, all contribute in complexing the financing system². In developing countries all these factors shape the health system. In context to Pakistan, all these elements play a very important role in determining its health care system. Unlike developed countries where there is a scientific method for managing funding and financing healthcare, Pakistan has its budget allocation system administration through federal government. Funds are majorly through the indirect taxation and it contribute almost half of the funds³.

As per the recommendations from World Health Organization in all the member states 5% of the Gross Domestic Product (GDP) should be spent health of their population so the set targets by united nations can be met⁴. On the other hand, Pakistan is not even near to achieve this target and it has become a dream for Pakistan to spent 5% of its GDP on health. Countries neighboring Pakistan like Sri Lanka and Bangladesh are achieving their health indicators and it is mainly because of commitments and their health priorities. Sri Lanka almost spent 4.3% of its GDP on health care⁵. Pakistan spend lowest on its health and education. Majority of its spending is on establishment of tertiary hospitals and curative treatments. Although one-third of population in Pakistan live below its poverty line (earning less than 1 US dollar). In Pakistan health care facilities are widely inaccessible to the larger scale and 98% of the overall health expenditure is out-of-pocket. 75% population in Pakistan seeking health from private health care providers. On health overall expenditure is 18\$ per capita, which is even lower at national level as 4\$ per capita. This greatly

reflects private sector shares higher spending^{3, 6}. Representation of the health spending is 40% by provincial and federal governments. Only 5% of the population is covered in social health insurance. At policy making level, it is mostly practiced to ignore inefficient use of money and corruption at managerial positions. In Pakistan policy it is clearly visible that health is most neglected part when it comes to financing. Delay in funding further delay service provision at facility level⁶.

METHODOLOGY:

This study used a semi-structured review of the different articles that are published in English language from 2008 to 2019. Focus of the review was mainly on the health care expenditure, allocation of funds, barriers in funding and allocations, way forwards for better health care spending in future. Data was extracted from two search engines “google scholar” and “PubMed”. The terms used in search engine were “Health care spending”, “Health Financing”, “Out-of-pocket payments”, “Health insurance”, and “Universal health coverage”. All the articles were included after reading the whole document. A few articles were excluded from the study after reading its abstract and finding less relevant to the study and due to non-availability of funds to purchase articles which have no open access.

DISCUSSION:

The need for the utilization of health services and peoples’ perception towards illness is a main factor for health care spending. Theoretically viewing health financing in any country can be done in five ways that are taxation (direct and indirect), private purchased insurance, financing through community, out-of-pocket payment and social insurance¹. The methods used in Pakistan are mainly taxation (more indirect) and out-of-pocket payments. Marely finance in health is through private purchased insurance and social insurance.

Out-Of-Pocket Payments:

World Health Organization explains payments that are directly paid for health care providers, medicines and all other medical aids utilized for improvement of the health of a household is said to be out-of-pocket payments. In Pakistan, 61% of payment are out-of-pocket as per the National Health Accounts. From 2007 to 2008, the percentage has decreased. It is estimated that there is an increase in amount of currency but overall the percentage spending of out-of-pocket payments has decreased to 5% during year 2009 to 2010⁷. It is also estimated that the overall spending of OOP for private health services has also

reduced from 88.2% in the year 2009 to 86.3% in 2011^{6,8}.

Data suggest that out-of-pocket payments for health care services are majorly paid by the rich people due to their socio-economic stabilities. Poor spend less on their health in terms of out-of-pocket and this variation is probably due to the accessibility of health care services to the rich and lack of awareness and information about access is less into the poor communities. Data suggest that 36% of OOP on health is spent by people which comes in 5th Quintile-Richest level. The 1st Quintile- Poorest level spend OOP as lowest as 10% on health. The lowest quintile is deprived of money and pool savings and this is the reason why this level is more effected by the OOP. The OOP payments has impact on public and is further divided into two categories i) Catastrophic impact of out-of-pocket payments and ii) impoverished impact of out-of-pocket^{8,9}.

The Catastrophic Impact of OOP payments:

There is an increase financial burden, when households' health spending is compensating by money that is to for their essential commodities¹⁰. This affects the households' living standards. The inception of catastrophic payments is allied with how much a household earns. Catastrophic spending can be explained as if any household is spending more than 10% of the total income and more than 40% of the spending on other household needs. A study conducted in Pakistan show 10.3% of the households spend more than 10% on health care from their savings and 1% of the households spend more than 40% on health care needs¹¹. It is estimated around 150 million people suffer from catastrophic financial situation due to use of health services. Further a hundred million populations within the country is forced to live under the poverty line for health care services they receive paying from their pocket¹².

The Impoverish Impact of OOP payments:

As the population living already in sub-standard conditions are further pushed to live under the poverty line after the pay for health care services¹¹. Dr. Zaidi reports in 2019 about the criteria used to assess the impoverished impact of OOP. The three criteria for assessment are i) households living under poverty line via poverty headcount, ii) poverty gap and iii) normalized poverty gap⁶. To calculate poverty gap, a cumulative of the total households' subsidies into poverty and calculation of normalize poverty gap is by taking ratio of poverty gap and poverty line.

Payment Methods For Reducing Poverty:

Different strategies can be used to improve the payment methods for healthcare delivery. Many develop countries are now using health insurance system which are almost universal health coverage and can reduce inequity within the populations¹³. Following methods were utilized by developed countries to reduce poverty and can be applied in countries like Pakistan to reduce health inequalities.

I) Pre-Payment Mechanism:

WHO reports in Goal health about pre-payments method as a vital role in addressing universal health coverage. This will include a good and well run health care system, motivated healthcare personals, access to new technologies and all essential medicines and a proper system for health service financing. In developed countries like USA, The Great Britain and Japan use private and national health insurance system. The Great Britain uses the mostly its national health insurance system and only around 8% population is using private insurance^{14, 15}. In Pakistan, the picture is complete opposite as there is no any health insurance scheme provided by its federation not any private insurance system is utilized by its population. Pakistan has an inadequate health care expenditure. Abrejo and Shaikh in their article published in 2008 writes if social health insurance can reduce inequity in healthcare provision. It is not the whole social protection but one method of social protection¹⁶.

II) Social Protection Scheme:

There are evidences in the recent era of healthcare system that social protection can save deprived population and can reduce healthcare inequities in developing countries. Many developing countries are now prioritizing social protection scheme in their agendas to improve healthcare financing. In the history of Pakistan, social protection scheme is remained as an emergency plan. Pakistan never frame social protection as a compelling part of its financing system^{7,17}.

III) Universal Health Coverage:

Many countries including Pakistan have insufficient health care expenditure due to their limited healthcare financing through pre-payments. There is no such concept of safety nets, when it comes to pay for health. Majority of the populations are dependent on out-of-pocket payment for healthcare services¹⁸. A new healthcare financing strategy in introduced by WHO (World Health Organization) for the Asia Pacific countries to address health care financing issues. This will lead to the achievement of

universal health coverage in developing countries. A report published by WHO in 2008 underline universal health as a pillar of PHC (Primary Health Care) and PHS (Primary Health Services). This can be achieved by keeping patient care as a center point which also include health and leadership in all upcoming policies introduce in healthcare financing system. To determine the universal health coverage in healthcare system, it is important to determine are the services available for the poor and are these services affordable when poor need them¹³.

CONCLUSION:

Pakistan healthcare financing system must have a clear vision for social protection and universal health coverage. This will serve as a mean of equitable and accessible healthcare service delivery in Pakistan¹⁹. There is a need to introduce insurance system and purchaser rather than increase the overall budget allocation for healthcare expenditure. To track progress and appropriate functionality of providers' service provision, providers' behavior and overall burden of health expenditure on poor, a strong information system should be introduced in healthcare financing system²⁰. National health financing policies should be developed to strengthen financing system which further can support in development of health financing strategies at provincial level.

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