

Policy Brief #29

Review of the Total Health Expenditures for 2006-2009

(on the basis of the National Health Accounts)

For the time period from 2006 to 2009 the total health expenditures had grown from 7,1 to 12,5 billion KGS, which provides the nominal growth of about 77%. As a result, health expenditures had grown as GDP share from 6,2% to 6,4% accordingly. It has to be mentioned that in 2007 health expenditures had the highest share of GDP–6,5%.

In 2009 public financing (including MHI and SWAp) was 3,2% to GDP comparing to 2,7% in 2006, private funds were at the level of 2,7% comparing to 3,5% in 2006. External financing was 0,3% to GDP, which is per 0,1% less than in 2007-2008. (Table. 1.1).

Table 1.1: Total Health Expenditures

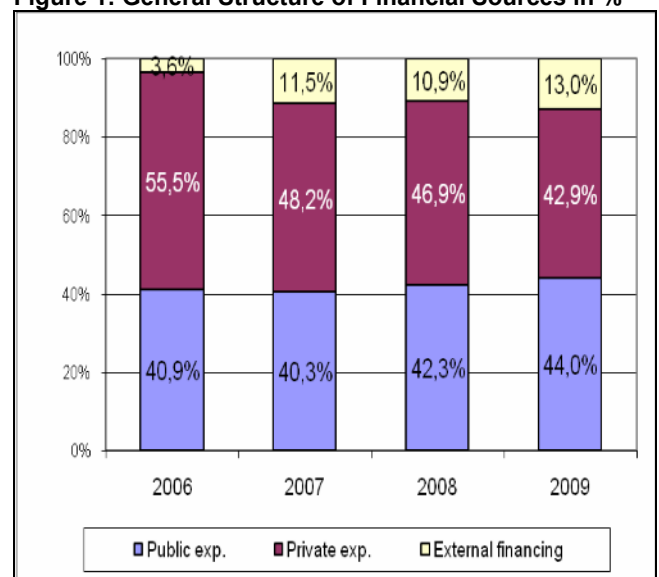
	2006	2007	2008	2009
Total Health Expenditures (in millions KGS)				
Budget	2 421,0	2 966,9	3 873,0	4 809,1
MHIF	466,9	704,469	476,8	682,6
Private	3 921,9	4 398,4	4 823,2	5 356,6
External joint financing	252,6	529,7	409,1	943,2
External parallel financing		519,8	709,0	683,4
Total	7 062,4	9 119,2	10 291,2	12 474,8
Share from the Total Health Expenditures				
Budget	34,3%	32,5%	37,6%	38,6%
MHIF	6,6%	7,7%	4,6%	5,5%
Private	55,5%	48,2%	46,9%	42,9%
External joint financing	3,6%	5,8%	4,0%	7,6%
External parallel financing		5,7%	6,9%	5,5%
Total	100,0%	100,0%	100,0%	100,0%
Share of GDP				
Budget	2,1%	2,1%	2,1%	2,4%
MHIF	0,4%	0,5%	0,3%	0,3%
Private	3,5%	3,1%	2,6%	2,7%
External joint financing	0,2%	0,4%	0,2%	0,5%
External parallel financing		0,4%	0,4%	0,3%
Total	6,2%	6,5%	5,6%	6,4%

The total health expenditures per capita had increased from 1 379 KGS in 2006 to 2 436 KGS in 2009. In real terms (in 2000 prices), this indicator had increased from 1 055 in 2006 to 1 160 KGS in

2009. And, in 2008 health expenditures were reduced down to 1 026 KGS, which was conditioned by high inflation rate in 2008 (24,5%).

In 2009 the share of the public health expenditures had exceeded for the first time the share of private health expenditures (44% in comparison to 42,9%). Together with external joint financing, the government budget share was 51,6%, which is higher than the same indicator for 2006 (44,5%). Reduction tendency in the private expenses share was stipulated by a number of reasons, since on the one hand, the total health expenditures were expanded in 2007-2009 due to external financing, which was about 12% from the total health expenditures. On the other hand, private expenditures were increasing much faster during 2000-2003 in real terms (in 15,4% annually), than public expenditures, which resulted in increase of private expenditures up to 60,4% to the total health expenditures by 2003. However, since 2004 the growth of public expenditures level was accelerating comparatively to private expenditures up to 2009 (in average about 15% of annual growth comparatively to 3,4%), which resulted in reduction of the private expenditures share within the total health expenditures structure.

Figure 1: General Structure of Financial Sources in %

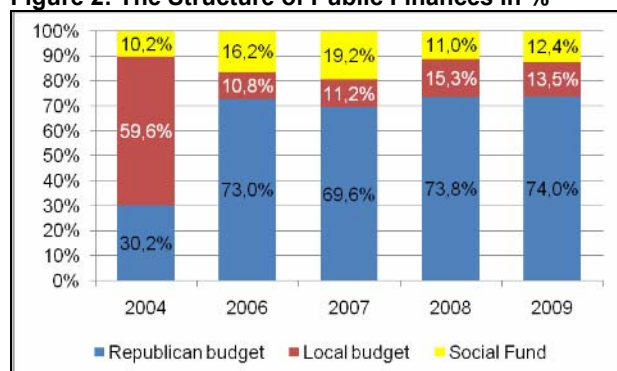


International organizations provided 1 627 mln KGS in 2009 or 13% from the total health expenditures (THE), and they present the smallest share. And 943,2 mln KGS (7,6% from THE) were integrated into the government budget under SWAp.

Health Expenditures per Different Financial Sources

Government sources of financing include the republican and local budgets, as well insurance contributions. In 2009, their proportion was 74,0%, 13,5% and 12,4% accordingly from the total amount of public finances. However, in 2004 the picture was different. The major part of funds for the health sector was received from local budgets, which provided 60%, whereas the republican budget made only 30% of all funds.

Figure 2: The Structure of Public Finances in %



Such a significant change in the public finance structure was stipulated by the enactment of the KR Law 'On Financial and Economic Principles of the Local Self-Government' in 2003. According to this law the KR budget was transferred from 4 0-level system into 2-levels, which included local government's budgets (aiyl-ocmotu, municipal budgets) and the republican budget. These changes were adopted in 2006, and all funds, which used to be pooled at the oblast level, started to be accumulated at the oblast level. As a result, the share of the government budget was increased up to 73% in 2006. Bishkek was the only exception, where the local budget is still one of the financial sources.

Breakdown of Health Expenditures per Organizations Financing Health System

NHA classification system implies three categories of financing organizations: government, non-governmental organizations and the rest of the world. Government organizations include MOH KR, MHIF and other ministries and agencies, which provide health services to population. Non-

governmental organizations include households that make out-of-pocket payments for the received health services. International organizations include donor organizations that provide financial support to reforms of the health sector.

Table 2.1: Breakdown of the Total Health Expenditures per Financiers

Financiers	% from THE			
	2006	2007	2008	2009
Government, Including...	47,8%	50,9%	49,0%	54,8%
Non-governmental sector	52,2%	43,3%	44,3%	39,7%
The rest of the world	H/Д	5,8%	6,7%	5,4%
TOTAL	100,0%	100,0%	100,0%	100,0%

Analysis of health financing structure per financing organizations showed that in 2007 it had an important difference, related to the fact that the share of the government sector was significantly higher than non-governmental sector (51% comparatively to 43%) (Table 2.1). In 2009, the government finance share had the tendency of growth and increase in comparison to non-governmental sector (55% and 40% accordingly).

About 70% of government funds have been managed by MHIF, which finances primary and secondary care organizations, and the MOH manages a little more than 27% of the total government funds. This ratio can be explained by the fact that the Mandatory Health Insurance Fund in the Kyrgyz Republic plays the role of the Single Payer and finances health services, provided by health care facilities in a centralized manner under the State Guaranteed Benefit Package (SGBP). So, SGBP consolidated budget was 4 161,3 KGS in 2009, including 2 259,8 mln KGS from the republican budget, and MHIF – 864,9 mln KGS.

Table 2.2: THE per Financiers

Financiers	% from the government sector			
	2006	2007	2008	2009
Government sector, including..	100,0%	100%	100%	100%
Ministry of Health	26,9%	29,9%	25,7%	27,1%
MHIF	68,3%	65,2%	69,5%	70,1%

It should be mentioned that the share of the non-governmental sector remains quite high – about 40% and represents the threat for financial protection of population. Currently, there is a shortage of funds in the republican budget to ensure full-fledged functioning of the health system. As a result the financial burden comes upon

people. Despite the fact that starting from 2003, the level and predictability of public finances have been improved, it is critical to continue improvement of government funds flows, which is a precondition to improvement of financial protection of population, when they seek health care.

Health Expenditures per Providers

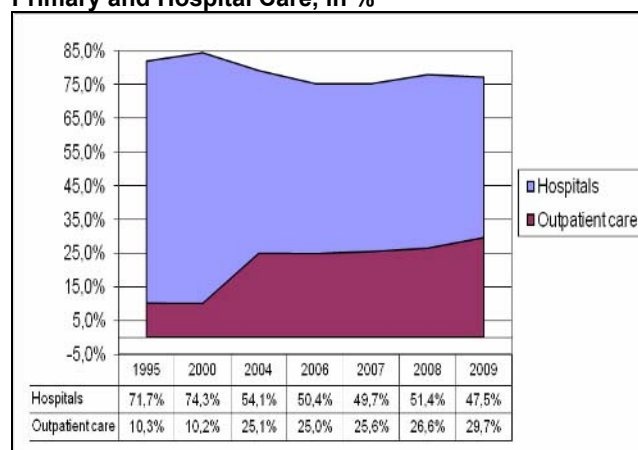
Hospital costs formed the highest share (about 34%) from the total health expenditures in 2009. The next highest category is 'Retailers and Other Providers of Medical Supplies' (for example, pharmacies), which share was reduced from 38% in 2006 down to 30% in 2009. And it should be mentioned here that while hospitals are mainly paid from the government funds (78% from the total hospitals costs), then costs of retailers and other providers of medical supplies come upon people (86% from the total expenditures of medical supplies providers). The major part of these costs has been spent for drugs at outpatient level, but not in hospitals.

Health Expenditures per Functions

The current health system delivers health services on the basis of different functions, including: primary care, outpatient – polyclinic and diagnostic care, hospital care, prevention and public health, education and research, etc. More than a half of funds have been spent on health care (treatment). In 2009, the share of expenditures in this category was increased in 3 percentage points comparatively to 2006 and made up 54%.

Government financing of outpatient service continues to grow within the health care structure, while financing of hospitals has a downward trend. Since 2000 the share of hospital financing was reduced from 74% to 47,5% in 2009, while the outpatient share was increased from 10% in 2000 up to 29,7% in 2009 (Figure 3). These tendencies were greatly influenced by Manas taalimi reforms on introduction of new provider payment methods, related to the Single Payer System. So, if input-based hospital payments system used to stimulate increase of hospitals' capacity and length of stay, then transition to output-based payment shifted the focus to efficiency improvement and reduction of fixed costs. Besides, health financing reform has been focused on moving from more expensive hospital care system towards more available outpatient care, which also provides an impact on accessibility of health services to all categories of the KR population and reduces financial burden.

Figure 3: Structure of Government Expenditures on Primary and Hospital Care, in %



Another key aspect is that in 2009 the tendency for public health expenditures increase was continued, and its share was 4,2% comparatively to 2,5% in 2006. It is important to maintain this tendency in the future, since the government has a goal to strengthen the role of the public health sector in the nearest years.

Conclusions

The analysis of the NHA results has proved that health financing system has a number of positive tendencies:

- Health expenditures continue to grow both in nominal and real terms. And the real growth had been ensured by the government share.
- Per capita financing continues to grow, despite the fact that some inflation-related reduction of this indicator has been reported in 2008.
- Share of private expenditures for health services has been reducing.
- In 2009 – government expenditures for outpatient care had been increased up to 29% (comparatively to 26,6% in 2008).
- In 2009 – upward trend of public health financing was maintained, which proves the growing attention to the problems in this area.

The most significant issues in health financing include:

- Private expenditures level remains high, which results in lack of protection of people of the Kyrgyz Republic from financial risks when they seek care.
- Population expenditures for drugs have been still much higher than the government expenditures and create the basis for financial burden for citizens of the Republic.