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## Health Financing

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Health financing has become an important part of the health system strengthening in order to achieve Universal Health Coverage (UHC) and to provide equitable health services without financial burden to the users. The world health report 2010 defines the health financing for universal coverage as:

*“Financing systems need to be specifically designed to: provide all people with access to needed health services (including prevention, promotion, treatment and rehabilitation) of sufficient quality to be effective; [and to] ensure that the use of these services does not expose the user to financial hardship”<sup>1</sup>.*

Health financing is a core function of health systems that can enable progress towards the UHC by improving effective service coverage and financial protection. Today, millions of people do not have access to health services due to high cost. Many others receive poor quality of services even when they pay out-of-pocket. Carefully designed and implemented health financing policies can help to address these issues<sup>2</sup>.

Every country works toward enhancing the equity in health services, service quality and financial protection for her populations. The pursuit of UHC is relevant to every country. Health financing policy is an integral part of efforts to maneuver towards UHC. Health system reforms need to be aimed explicitly at improving coverage linked to efficiency, equity in health resource distribution and transparency and accountability<sup>3</sup>.

Health financing has evolved from personal payment to financing through health insurance schemes. In most of the developed countries health financing is provided by the government through social security or general taxation in addition to out-of-pocket expenditures. Insurance schemes and out of pocket payment are usually not available for the vulnerable population. Therefore, Governments are required to make funding to provide health services to those vulnerable population or for those services which are not covered by the insurance schemes. Health financing is not only about raising money for health care but also about allocation of these funds. Therefore, prioritizing the health care services and allocation of the fund is very important to achieve the desired outcome and

goals. Allocation of resources requires a skillful planning process to balance spending on different subsectors of the system and to ensure equity between regions and various socioeconomic groups in society<sup>4</sup>. Question of sustainability in the policy makers arises while reviewing the health financing systems due to ageing populations, technological advances and economic recessions<sup>5</sup>.

In the broadest terms, there are four major healthcare models: the Beveridge model, the Bismarck model, National Health Insurance, and the out-of-pocket model. While each model is distinct in itself, most countries do not adhere strictly to a single model; rather, most create their own hybrids that involve features of several. Each model has its own benefits and risks of achieving universal health coverage. Risk of over utilization, unnecessary or wasteful demand for health care services by the patients leading to rising costs, lack of funding during health emergencies, unable to cover the vulnerable population, long waiting time, delays in treatment are considered serious health policy issues<sup>6</sup>.

There is also discussion about percentage of Gross Domestic Product (GDP) expenditure on health. Higher percentage of GDP allocation does not necessarily lead to better health outcomes unless it is used efficiently. Countries spending less than 4% of GDP on health are found to have poor health facilities, countries spending between 4-5% of GDP are found to have inadequate health facilities including equipment and infrastructure with lowly paid staff. Those countries which spend between 8-18% of their GDP on health are found to have sound health care facilities<sup>4</sup>.

In Bhutan, the Government remains a primary source of financing healthcare services, external funding sources having declined over the years. With escalation of healthcare costs and other competing priorities, the sustainability of free health care services will become a challenge. Out-of-pocket expenditure is increasing despite improved access to health care services, which undermines equity in health. Bhutan spends about 4 to 4.5% of the GDP on healthcare financing. In order to achieve UHC, it is recommended to increase the allocation of the fund and at the same time need to improve on the efficient use of the resources<sup>7</sup>. Preferential allocation to Primary and Secondary care services focusing on underserved population, adoption of new technology, are shown to be cost effective in terms of cost efficiency and benefits<sup>8</sup>.

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The Coronavirus Disease of 2019 (COVID-19) pandemic has exposed significant flaws and deficiencies in the current healthcare system. Learning from the COVID-19 Pandemic, Health financing should continue to be the topic of discussion on necessary reforms examining the strengths and weakness of the existing systems that will be able to inform new health care policies.

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