

Health care financing

Definition (1)

Health care finance is a branch of finance that helps patients and health care beneficiaries pay for medical expenses in the short and long terms. Some health care finance concepts have a general meaning, while others relate specifically to the health care sector.

Other Definitions (2)

Mobilization of funds for health care

Allocation of funds to the regions and population groups and for specific types of health care

Mechanisms for paying health care (Hsaio, W and Liu, Y, 2001)

Health service financing source

1. Health services financed broadly through private expenditure or public expenditure or external aid
2. Public expenditure includes all expenditure on health services by :
 - a. Central and local government funds spent by state owned and parastatal enterprises as well as government and social insurance contributions
 - b. Where services are paid for by taxes, or compulsory health insurance contributions either by employers or insured persons or both this counts as public expenditure.
3. Voluntary payments by individuals or employers are private expenditure.
4. External sources refer to the external aid which comes through bilateral aid programme or international nongovernmental organizations
5. The ownership of the facilities used whether government by government, social insurance agencies, non-profit organizations private companies or individuals is not relevant

Mechanisms of Health Financing

1. General revenue or earmarked taxes
2. social insurance contributions
3. private insurance premiums
4. community financing
5. direct out of pocket payments
6. Each method
7. distributes the financial burdens and benefits differently
8. each method affects who will have access to health care
9. financial protection

Source of health care financing in Saudi Arabia

Health Care Finance and Expenditure (3)

Overwhelmingly, health care financing in Saudi Arabia is provided mainly from government revenues. The budgetary provision for the MOH has continued to increase— from 2.8% of the national budget in 1970 to 6.4% in 2004. Cooperative Health Insurance System will be applied, so private health sector participation will be increased.

Table 6-2 Sources of finance, by percent

Source	1990	1995	2000	2004
General Government (Saudi R)*	8,597	7,364	11,939	14,756
Central				
State/Provincial				
Local		100% Central		
Social Security				
Private	-	-	-	-
Private Social Insurance				
Other Private Insurance				
Out of Pocket				
Non profit Institutions		Not yet applicable		
Private firms and corporations				
External sources			Nil	

* X1000.000

Trends in financing sources: commentary (4)

Overwhelmingly, health care financing in Saudi Arabia is provided mainly from government revenues. The budgetary provision for the MOH has continued to increase— from 2.8% of the national budget in 1970 to 6.4% in 2004. The ‘other government’ sector also receives annual allocations to meet their health care commitments. The remaining health services financing is derived from private sources (e.g. personal out-of-pocket payments) and from occupational health insurance premiums mainly subscribed to by large private company employees

Financing (5)

Public spending on health is financed from the government budget. An estimated 11 percent of the Government budget is devoted to public spending on health. Public spending accounts for 80 percent of all health spending. As some 75 percent of government revenues are from sales of natural resources (and none of the revenues from the rather limited tax instruments are earmarked specially for the health sector), the health sector financing for Saudi nationals and public sector expats is largely based on oil and gas revenues. The basic mechanism for paying public providers is through budget transfers from the Ministry of Finance based on line item allocations for specific expenses categories such as salaries, maintenance, new projects, etc. Managers are generally prohibited from switching funds across line items. There are also strong incentives to spend all allocated funds as unspent funds are generally not retained by the governmental agency.

As indicated above, financing for private sector expats is through an employer mandate requiring employers/sponsors to cover necessary medical expenses for their employees. While private spending on health accounts for estimated 20 percent of all health spending, such spending also includes spending by the Saudi population and expatriate working in the public sector. Moreover, private sector expats often seek free care in public facilities through special permissions. Private sector providers are generally paid on a fee-for-services rendered. Such payments are often based on contracts between the provider and the insurer or employer. Preliminary estimates by the Ministry of Health indicate that some 68 percent of private spending is paid for by employers (who insure either through purchase of private health insurance, direct provision through company owned- facilities, or pay providers directly) and 32 percent is paid out-of-pocket by the patient himself. The following table provides a breakdown of spending on health by both the public sector and the private sector in 1421/1422H (in thousands SR):

Ministry of Health	Other Public Sector	Private Sector	Total
13,046,528	10,970,053	5,633,320	29,649,901
44%	37%	19%	100%

Reference ..

(1) Marquis Codjia, eHow Contributor. Healthcare finance (internet). (updated 2012 Nov 11).

Available from : http://www.ehow.com/facts_6853480_healthcare-finance-definitions.html

(2) Preethi Pradhan. Health Care Financing(internet). (updated 2012 Nov 11). Available from : https://docs.google.com/viewer?a=v&q=cache:bsT_e3YO824J:www.pitt.edu/~super7/16011-17001/16161.ppt+&hl=en&gl=sa&pid=bl&srcid=ADGEESjhecpRRf7nYGYj9wpCROzRx8q04mMuKYvG1hY1L66VXYzXLxvHFeWUGHUUhOdiLhA3-dbhq6oJNeINOB_ckiSoSP-Qyq76CzonseGViGOIZ2YoJtrIwobAh1ulNwI1VpIofhgM1&sig=AHIEtbQ2jVTIpGc5YY_f-zAwW8aD5U_2vQ

(3) citedRegional Director. EXECUTIVE SUMMARY. Health system profile. Saudi Arabia: Regional Health Systems Observatory- EMRO; 2006. P.4. Available from : <http://gis.emro.who.int/HealthSystemObservatory/PDF/Saudi%20Arabia/Full%20Profile.pdf> (assessed Nov 11, 2012)

Table 6-2 source of finance, by percent

(4) citedRegional Director. HEALTH CARE FINANCE AND EXPENDITURE. Health system profile. Saudi Arabia: Regional Health Systems Observatory- EMRO; 2006. P.15-16. Available from : <http://gis.emro.who.int/HealthSystemObservatory/PDF/Saudi%20Arabia/Full%20Profile.pdf> (assessed Nov 11, 2012)

(5) Wikipedia, the free encyclopedia. Healthcare in Saudi Arabia. Wikipedia. 2006; 3-4. Available from: https://docs.google.com/viewer?a=v&q=cache:KHVKwNvKtoJ:faculty.ksu.edu.sa/nutrition/Documents/Healthcare%2520in%2520Saudi%2520Arabia.doc+&hl=en&gl=sa&pid=bl&srcid=ADGEESiV8uVzwIunjz8B7ZyGyQpCXafQhyux4l-GWFTajSkWt41IbbYTBR_D_afwFR_rWOhUUa4pDvo-eTeqcRzx22DzDdglWNi4oq7DQmZGfKvxCvbUV9fjtskoU3Ea_7o17fRBhVp&sig=AHIEtbTSBf7yW7b4-m_oLElbZmDDfavJbw (assessed Nov 11, 2012)