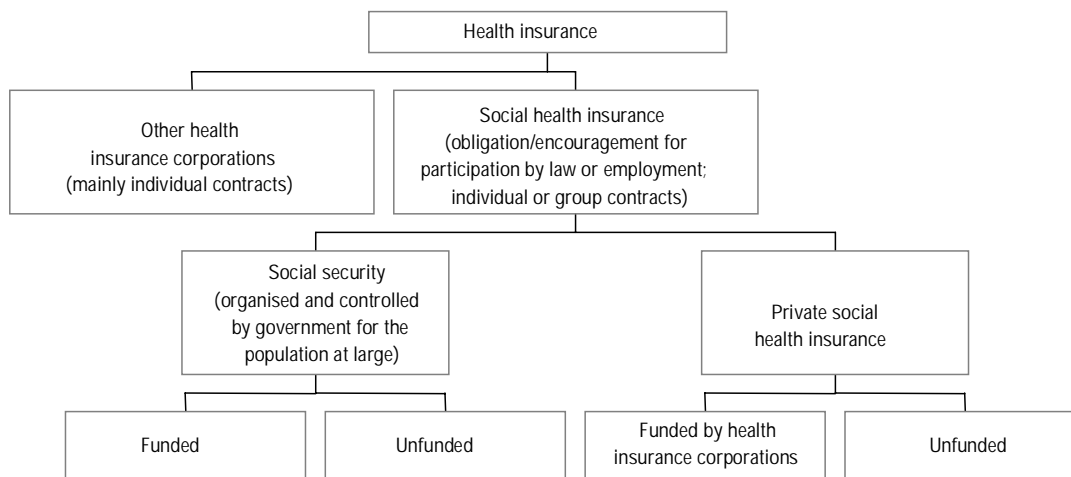


11. ICHA-HF CLASSIFICATION OF HEALTH CARE FINANCING

OVERVIEW

- 11.1. The study of health care financing in health accounts starts with the basic sectoral division of the national accounts, *i.e.* government agencies, public and private insurance. Table 11.1 shows the proposed ICHA-HF classification of sources of funding. It is recommended that use be made of SNA 93 guidelines for allocating sources of funds to the categories of the ICHA-HF classification. Consultation between statisticians responsible for the SHA and their colleagues of national accounting should ensure that sources of funding are allocated in the same way in the two reporting systems.
- 11.2. When consumption is recorded on an expenditure basis, the purpose is to identify the institutional units that incur the expenditure and hence control and finance the amounts of such expenditure. The first step towards a cross-classification of expenditure on health and their financing will be to recall some basic definitions of national accounting and how they apply to total expenditure on health and its components.
- 11.3. The ICHA-HF classification follows the first three levels of the decision tree for classifying health insurance (Figure 11.1). There is a basic distinction between social health insurance and other health insurance. Social insurance is either organised and controlled at various levels of government or organised privately. The ICHA-HF does not distinguish between funded and unfunded insurance, although different estimation methods may correspond to these two forms of insurance (see SNA 93, Annex IV for more detail).

Figure 11.1. SNA classification of health insurance



SOCIAL INSURANCE AND SOCIAL SECURITY

- 11.4. Social health insurance exists in different institutional forms, according to the regulations governing the individual insurance funds. Moreover, it is not always easy to draw an appropriate boundary line between social health insurance and privately funded and unfunded health insurance. Guidelines for this distinction are provided by SNA 93, Annex IV.
- 11.5. A *social health insurance* is one where the policy-holder is obliged or encouraged to insure by the intervention of a third party. For example, government may oblige all employees to participate in a social security programme; employers may make it a condition of employment that employees participate in an insurance programme specified by the employer; an employer may encourage employees to join a programme by making contributions on behalf of the employee; or a trade union may arrange advantageous insurance cover available only to the members of the trade union. Contributions to social insurance programmes are usually paid on behalf of employees, though under certain conditions non-employed or self-employed persons may also be covered.
- 11.6. An insurance programme is designated as a social insurance programme if at least one of the following three conditions are met (SNA 93, Annex IV, para. 4.111):
- participation in the programme is compulsory either by law or by the conditions of employment; or
 - the programme is operated on behalf of a group and restricted to group members; or
 - an employer makes a contribution to the programme on behalf of an employee.
- 11.7. *Social security funds* are social insurance programmes covering the community as a whole or large sections of the community that are imposed and controlled by a government unit. They generally involve compulsory contributions by employees or employers or both, and

the terms on which benefits are paid to recipients are determined by a government unit. Social security funds have to be distinguished from other social insurance programmes which are determined by mutual agreement between individual employers and their employees.

- 11.8. Social security funds may be distinguished by the fact that they are organised separately from the other activities of government units and hold their assets and liabilities separately from the latter. They are separate institutional units because they are autonomous funds, they have their own assets and liabilities and engage in financial transactions on their own account. The amounts raised, and paid out, in social security contributions and benefits may be deliberately varied in order to achieve objectives of government policy that have no direct connection with the concept of social security as a scheme to provide social benefits to members of the community (SNA 93, Annex IV, para. 4.112)
- 11.9. It should be noted that the SHA recommends following the SNA 93 rule on how to treat programmes that are set up by governments for their employees only. These programmes are not to be regarded as social security funds.

Table 11.1. ICHA-HF classification of health care financing: three-digit level

ICHA code	Sources of funding
HF.1	General government
HF.1.1	General government excluding social security funds
HF.1.1.1	Central government
HF.1.1.2	State/provincial government
HF.1.1.3	Local/municipal government
HF.1.2	Social security funds
HF.2	Private sector
HF.2.1	Private social insurance
HF.2.2	Private insurance enterprises (other than social insurance)
HF.2.3	Private household out-of-pocket expenditure
HF.2.3.1	Out-of-pocket excluding cost-sharing
HF.2.3.2	Cost-sharing: central government
HF.2.3.3	Cost-sharing: state/provincial government
HF.2.3.4	Cost-sharing: local/municipal government
HF.2.3.5	Cost-sharing: social security funds
HF.2.3.6	Cost-sharing: private social insurance
HF.2.3.7	Cost-sharing: other private insurance
HF.2.3.9	All other cost-sharing
HF.2.4	Non-profit institutions serving households (other than social insurance)
HF.2.5	Corporations (other than health insurance)
HF.3	Rest of the world

EXPLANATORY NOTES TO THE ICHA-HF CLASSIFICATION OF SOURCES OF FUNDING

HF.1 General government

This item comprises all institutional units of central, state or local government, and social security funds on all levels of government. Included are non-market non-profit institutions that are controlled and mainly financed by government units.

Note: for more detailed definitions and guidelines for sectoring financing units in the ICHA-HF see SNA 93, 4.113-4.130.

HF.1.1 General government excluding social security funds

This item comprises all institutional units of central, state or local government. Included are non-market non-profit institutions that are controlled and mainly financed by government units (SNA 93, 4.113).

Note: the importance of financing in health care by state budgets depends on the basic organisation of a country's health care system. Financing out of the state budget constitutes the major form of health care financing in highly integrated health care systems, where government bodies on state and regional levels are directly responsible for both financing and producing health care services. The share of government financing is usually less important in countries with a health care system of the "social insurance-type", where social security funds act as intermediary financing funds.

In every OECD country, governments are at least partly responsible for health care financing, by caring for specific groups of the population (the elderly, unemployed, pensioners, those living on social aid, etc.). Government bodies also play an important role in health care by subsidising pro-

viders, and through financing capital formation of government owned provider institutions.

HF.1.1.1 Central government

This item comprises all institutional units making up the central government plus those NPIs that are controlled and mainly financed by central government (SNA 93, 4.117-4.122).

HF.1.1.2 State/provincial government

The state/provincial government sector consists of state governments which are separate institutional units plus those NPIs that are controlled and mainly financed by state government. "States" and "provinces" may be described by different terms in different countries. In small countries, individual states/provinces and state/provincial governments may not exist (SNA 93, 4.123-4.127).

HF.1.1.3 Local/municipal government

The local government sub-sector consists of local governments that are separate institutional units plus those NPIs which are controlled and mainly financed by local governments. In principle, local government units are institutional units whose fiscal, legislative and executive authority extends over the smallest geographical areas distinguished for administrative and political purposes (SNA 93, 4.128).

Note: local government units may be described by different terms in different countries. Alternative terms are *e.g.* "municipalities" or "counties". Units of local government supplying health care on a non-market basis remain an integral part of the local government unit to which they belong (SNA 93, 4.129).

HF.1.2 Social security funds

The social security funds sub-sector consists of the social security funds operating at all levels of government. Social security funds are social insurance schemes covering the community as a whole

or large sections of the community and that are imposed and controlled by government units (SNA 93, 4.130).

Note: more detailed definitions and guidelines for social security and other social insurance are given in the introductory text of the chapter.

HF.2 Private sector

This sector comprises all resident institutional units which do not belong to the government sector.

Note: for a breakdown of health spending by source of funding, it is recommended to distinguish at least the following five sub-sectors: private social insurance, private insurance enterprises (other than social insurance), private household out-of-pocket expenditure, NPISHs and corporations (other than health insurance).

HF.2.1 Private social insurance

This sector comprises all social insurance funds other than social security funds.

Includes: programmes that are set up by government for their employees only.

Note: for the definition of social insurance see the introduction of this chapter for more details.

HF.2.2 Private insurance enterprises (other than social insurance)

This sector comprises all private insurance enterprises other than social insurance.

Note: this sector comprises both for-profit and non-for-profit insurance schemes other than social insurance. See the introduction to this chapter for the definition of social insurance schemes and Chapter 6 for the differences in reporting con-

tributions and insurance premiums between social insurance and other (private) insurance.

HF.2.3 Private household out-of-pocket expenditure

The definition of a household which is adopted by survey statisticians familiar with the socio-economic conditions within a given country is likely to approximate closely the concept of a household as defined in the SNA and consequently will also be in most cases appropriate for the purposes of health accounting (see SNA 93, 4.134).

Note: for a more detailed breakdown of out-of-pocket payments by private household, the following definitions are relevant (adapted from the glossary in OECD, 1992, p. 9):

- *out-of-pocket payments:* payments borne directly by a patient without the benefit of insurance. They include cost-sharing and informal payments to health care providers;
- *cost-sharing:* a provision of health insurance or third-party payment that requires the individual who is covered to pay part of the cost of health care received. This is distinct from the payment of a health insurance premium, contribution or tax which is paid whether health care is received or not. Cost-sharing can be in the form of *deductibles*, *co-insurance* or *co-payments*;
- *co-payment:* cost-sharing in the form of a fixed amount to be paid for a service.
- *co-insurance:* cost-sharing in the form of a set proportion of the cost of a service. In France and Belgium, “ticket modérateur”.
- *deductibles:* cost sharing in the form of a fixed amount which must be paid for a service before any payment of benefits can take place.

Private funding is at the moment the least reliable component of health care financing (mainly due to uncertainties with respect to the amount of out-of-pocket payments to health care providers and

pharmacies) and also one of the major sources of estimation error in total expenditure on health in many countries. Data sources for a detailed breakdown of out-of-pocket financing by private households are consequently one of the weak points on existing health accounts in many countries. For this reason, more specific household surveys for tracking private expenditure on a regular basis are recommended.

HF.2.4 Non-profit institutions serving households (other than social insurance)

Non-profit institutions serving households (NPISHs) consist of non-profit institutions which provide goods or services to households free or at prices that are not economically significant (SNA 93, 4.64).

Note: relevant as sources of funding of health care are in particular charities, relief or aid agencies that are created for philanthropic purposes and not to serve the interests of the members of the association controlling the NPISH. Such NPISHs may provide health care goods or services on a non-market basis to households in need, including households affected by natural disasters or war. The resources of such NPISHs are provided mainly by donations in cash or in kind from the general public, corporations or governments. They may also be provided by transfers from non-residents, including similar kinds of NPISHs resident in other countries (SNA 93, 4.67).

HF.2.5 Corporations (other than health insurance)

This sector comprises all corporations or quasi-corporations whose principal activity is the production of market goods or services (other than health insurance). Included are all resident non-profit institutions that are market producers of goods or non-financial services (SNA 93, 4.68).

HF.3 Rest of the world

This item comprises institutional units that are resident abroad.

Note: relevant financing flows for health accounting between the domestic economy and the rest of the world comprise mainly transfers related to current international co-operation (*e.g.*, foreign aid) and private insurance premiums/claims. Imports of health care services by households travelling abroad are recorded under HF.2.3, Private households. ■