

## Comment Unit 9 &10

# Comments on Unit 9 and 10.

### Summary

In this commentary note some ideas for the creation of classification of economic units in the financing of the health system are introduced along with a consistent solution for the financing sources, without overburdening the system with various additional classifications. In this proposal two classifications covering the 'whole' of the financing of health are presented as an option.

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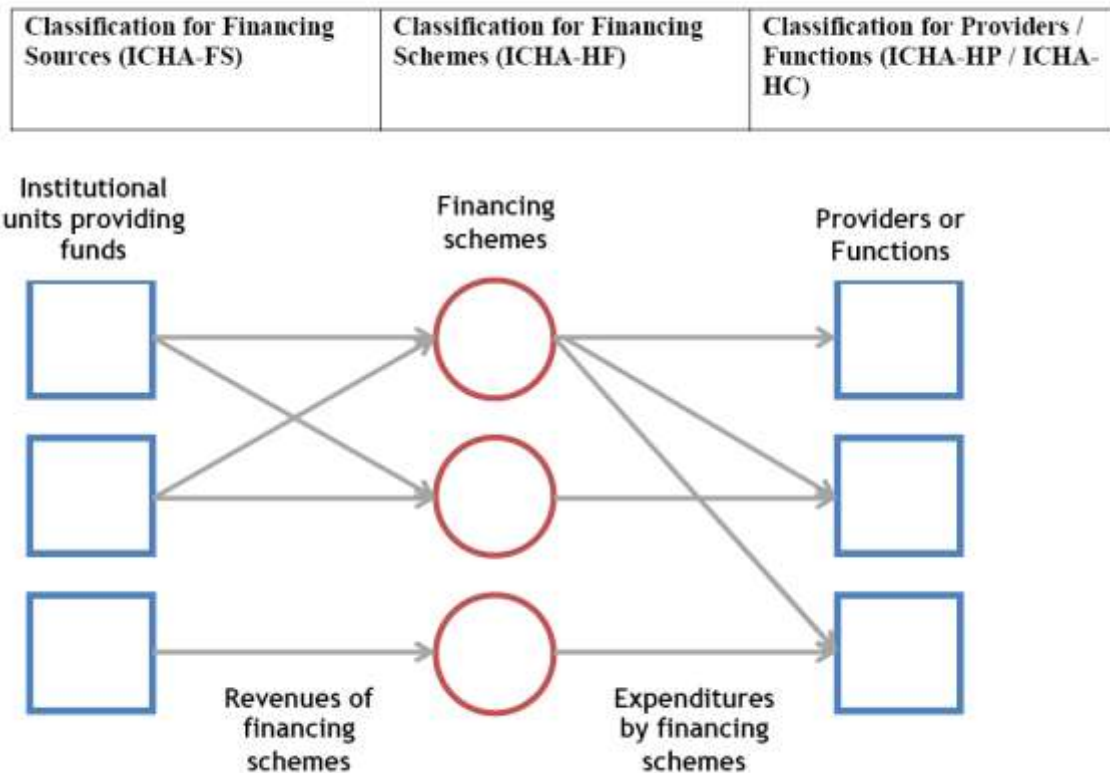
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## Introduction

In the discussion paper on unit 10 - prepared by OECD - as presented in figure 1 already a pre-decision was taken on the introduction of schemes as replacing the agents.

**Figure 1. Health financing systems and International Classification for Health Accounts**



In this figure schemes are defined according to the definition used in ESSPROS.

In ESSPROS a scheme is defined as

A social protection scheme is a distinct body of rules, supported by one or more institutional units, governing the provision of social protection benefits and their financing.

41. Social protection schemes are concerned exclusively with redistribution and not with production. They are supported by institutional units and are not themselves institutional units.

Various problems can be derived from this description if used in SHA. First schemes defined as such deal only with social protection. It could be said also to include private insurance as a wider ingredient of protection through pooling mechanisms. However it would be difficult to include in any way the direct payments of households, NPISH, corporations and maybe also government. I doubt if financing flows of these entities can be described in such a way that they fit the definition of scheme.

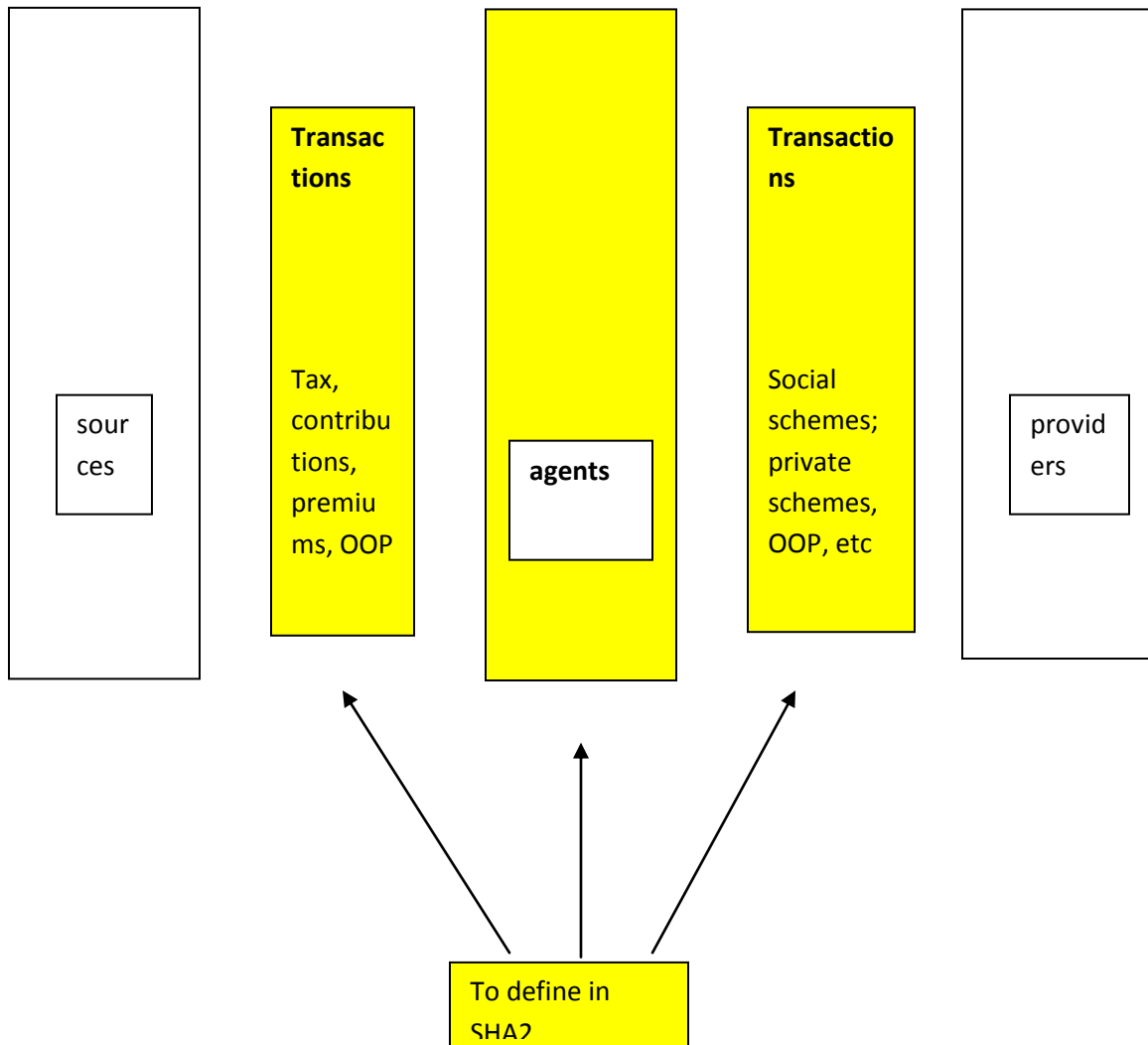
Moreover it is stated that schemes are not institutional units. They are also not part of institutional units. In the document no mention is made of the institutional units (or parts thereof) supporting these schemes. Economic units (being institutional units or parts thereof) are basic entities in SHA. The lack of these units also makes it difficult to link to transactions, basic in the interactions between units. Transactions are going to be important in SHA2. For consistency reasons it would be best to create the three basic sets of classifications around a set of economic units and sets of transactions governing their interrelations.

In the same figure the FS are described as institutional units. In the input paper on unit 9 – prepared by CMS - some ideas about the use of these units are presented. In principle it is OK to create institutional units as FS. However this implies the construction of a classification of financial transaction as well as a determination of the level of aggregation at which these institutional units are going to be used. The RoW will also be a problem, not an institutional unit but very important as source. The actual question on how many steps back in the financing process are going to be taken starting in the HF, is not dealt with. Apart from the fact that this is going to be difficult is it also very policy sensitive

## **Proposal**

This proposal starts with the idea of creating a set of economic units (institutional units are parts thereof) to be used as actors in the financing sequence (see figure 2). Further create a classification of financial transactions on the one hand governing the transactions between HF and HP (payments by type of service) and on the other hand governing the transactions between the FS and the HF without actually specifying the FS. This means limit the financial transactions of the HF to the description of the incoming financial flows by type of source (taxes, contributions, premiums, OOPs, etc). A starting point for the classification on these transactions could be found in the article on financing flows

**Figure 2: Financing agents and related financial transactions**



Basically two elements are to be defined: **classification of units** acting as financial agents, and a **classification of financial transactions**<sup>1</sup>; one serving for the receipts for these agents and one governing the financial transactions used as payments to the providers (with schemes characteristics where relevant and possible).

For the **financing agents** a basic starting point can be found in the institutional units as presented in SNA/ESA. These units concern Government (in all levels), Social Security Institutions, (Private) Health Insurance Organizations, NPISH, Corporations (non-health, private and public), and Households.

<sup>1</sup> A classification of financial transaction makes it also possible to solve the problem of multiple intermediation in health funding

For the **financial transactions classification serving as receipts** a starting point can be found in the paper on financing flows where distinctions can be made in Government funding flows (with various negative flows for refunding flows to e.g. households), subsidies and transfers to Social Security (from various origins and again including some negative funding flows), contributions and premiums to health insurance (including refunding), Subsidies, grants, transfers and payments originating abroad, etc. For Households as a financing agent an assumption on the receipts for health funding may be necessary, e.g. stating that the receipts for health equal the OOP (in order to exclude the complete income). Analogous assumptions could be made for the spending on intermediate health consumption of all corporations and the RoW funding flows.

On the **financing transactions to be used for paying the providers** a distinction could be made in which the character of the schemes can be visualized. These payment flows could include Payments for services on behalf of Government, Social Security funds, NHS, Private insurance funds, etc.

## Conclusion

A construction in which Financing agents are introduced again as economic units (as originally intended in SHA1) would guarantee consistency with the other classifications as economic or institutional units are introduced as main actors. Using two distinct parts of a financial transactions classification would also guarantee consistency with SNA/ESA and at the same time make it possible to show the distinct features of SHA, in which all stakeholders are interested.

### References:

Hernandez, P, Poullier J-P and van Mosseveld, C; *Measuring Health Systems' Financing Flows*, Background document prepared for the EUROSTAT SHA Workshop in Tallinn, May 2007

Cowan, C; A proposal for the main categories of the Classification of Financing Sources (ICHA-FS); Input Document to Unit 9 in the Program of work for the SHA revision, CMS, 2008

OECD, *A proposal for the main categories of the classification of financing schemes (ICHA-HF)*, Input document to Unit 10, OECD 2008

EUROSTAT, ESSPROS, *European System of Integrated Social Protection Statistics*