



## Financing and purchasing health care:

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# Financing and purchasing health care

A book with seven seals

## Outline

- 1) External financing: budget for health care
  - Tax-financed health care systems (Beveridge)
  - Earmarked Payrolltax-financed health care systems (Bismarck)
  - Premium-financed solutions through private insurances
  - Co-payments
  - Private Payment (consumption)
- 2) Internal financing: paying the providers
- 3) Fiscal agents in between external and internal financing
- 4) Network Budget as a solution for the future?



# 1) Tax-financed health care systems

## External resources

- » Health care systems are financed from general revenue, mainly taxes and public debt
- » The revenue (absolute amount or percentage) for health care systems stems from earmarked taxation or from a budget financed of the global household



## 1) Tax-financed health care systems

### External resources

- » The Health budget within the global public household is transferred to regions on the basis of political decisions.
- » These regions, e.g. in UK, are using the received money to finance the provision (providers) of services according to certain rules, fee and time schedules.
- » Finally the providers use the money to pay the services for the patients including equipment, labor (salaries and wages).



## 2) Payrolltax-financed health care systems

### External resources

- » The revenue stems mainly from the contributions which are collected by the employers and employees.
- » The tax base are wages and salaries and the money is paid accordingly to the payroll-tax rate, e. g. 14%, depending on the different insurances.
- » The amount of the payrolltax and its sustainability depends on the economic situation of a country, because the tax base fluctuates.
- » Thus the different fiscal sustainability of the payrolltax-financed system and the purely tax-financed system depend on economic and political factors.



### 3) Risk-oriented insurances

#### External resources

- » Are rare, e.g. in Germany or Spain.
- » Many of them are capital funded
- » Risk-oriented insurances (age, sex, health status etc)



## 4) Private Payment

consumption

- » Co-payment, e.g. for drugs
- » Product/services over-the-counter
- » Individual out of pocket expenditures in the second health care market, e.g. wellness, healthy food



## From external financing health care to internal purchasing health services

### Paying the providers

1. in hospitals, e.g. DRGs.....,
2. at the dentists', e.g. fee-for service, out of pocket
3. at the office based doctor, e.g. fee-for-service .....,
4. in pharmacies, e.g. prescription drugs, co-payments, over-the-counter market
5. for remedies, e.g. physiotherapy, speech therapy and occupational therapy.....





## From external financing to internal purchasing

### Paying the providers

- 6) eyeglasses, hearing aids, e.g. out-of-pocket....
- 7) for accident rescue, e.g. insurance, health budget.....
- 8) for patient transport, e.g. taxi out of pocket.....



## From external financing to internal purchasing

### Paying the providers

9) in nursing homes, e.g. per day.....

10) in rehabilitation facilities e.g, DRG´s.....

11) out-patient treatment in medical and nursing care, e.g. by service.....

*Summary, the external financing seems to be easier to clarify than the internal financing with its variety and complexity.*



## Purchase of health care services

### Fiscal agents/funds in between external and internal financing

External financing leads to funds or budgets, on the basis of which the money will be distributed to providers.

For this purpose institutions or agents are necessary to collect the money and to transfer it according to a given legal framework to those who provide the services.

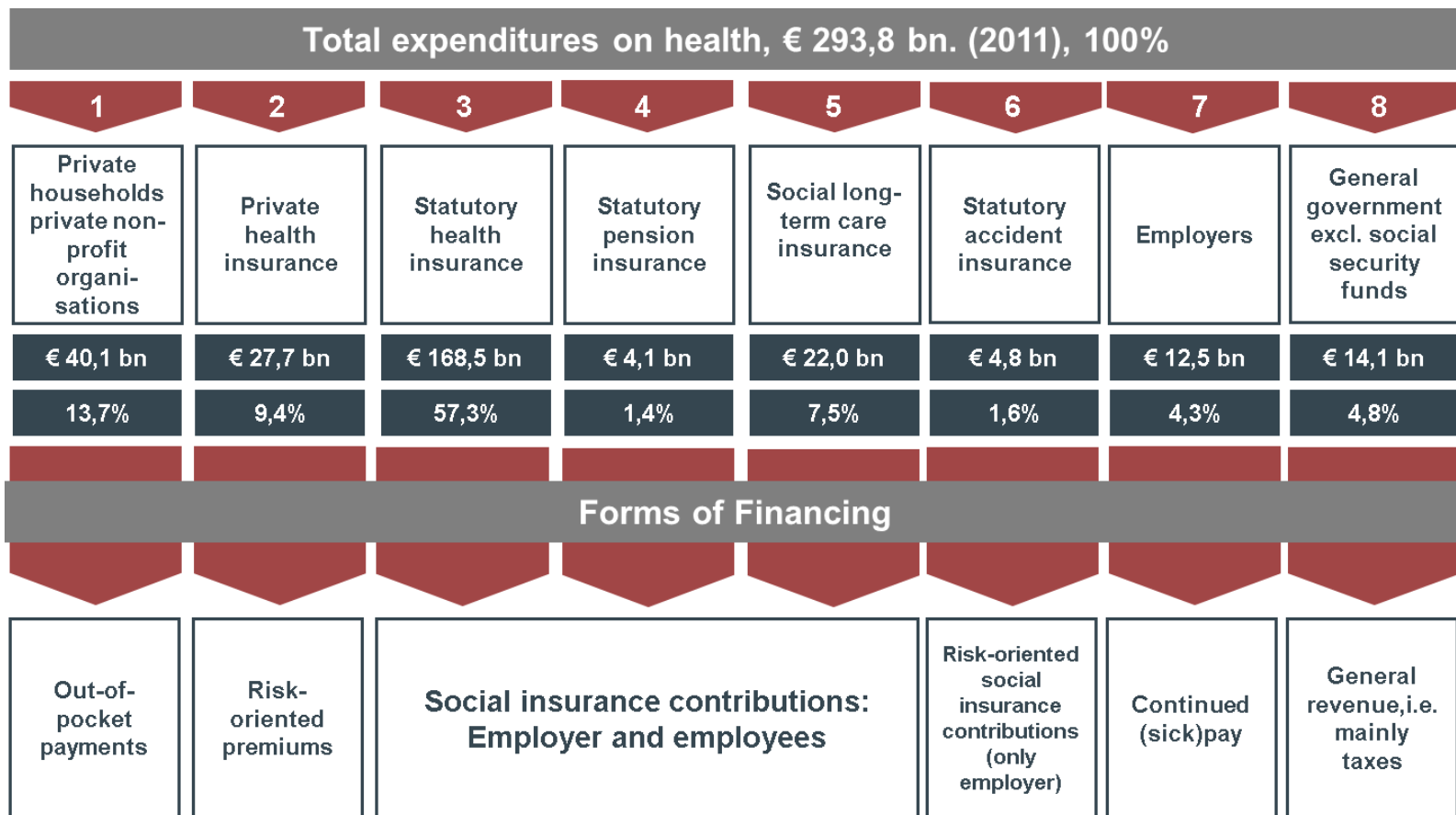
These money transfers are very complex and are handled differently in the European nations.

The following chart shows an example from Germany where we have at present 8 institutions, that handle this process between financing and purchasing.



## Forms of financing (see below) the total expenditures (see above)

### The Bismarckian System as an example





## Sustainability by fiscal institutions

How many fiscal agents are necessary?

1. Should hospital financing (current outlays and investment expenditures) be in one hand?
2. Should statutory health insurance or health funds and long term nursing care be in one hand?
3. Should rehabilitation and pension funds be in one hand?
4. How many budgets/fiscal agents do we need in health care?
5. Is muddling through, step by step, stop and go the answer?
6. Is more competition a prerequisite?
7. Or is network budgeting the answer?



## Network budgeting as a new approach?

More cooperation between the providers

A newly founded Management company in a certain legal framework develops the network for more coordination between

- the different sectors and services and between
- financing and purchasing health care

Higher quality of health care and improved health for the patients

Network budgeting for the elderly: a dream or a pilot project?



# Care for the elderly within network budgeting

## Financing and purchasing services

