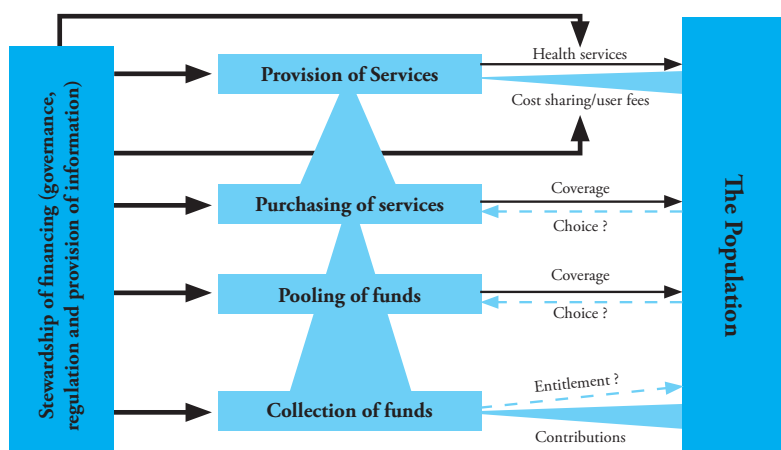


Health Financing and Social Health Protection in Nepal: Workshop Summary

22 March, 2011 – Kathmandu.

Context

Guided by Nepal's Interim Constitution 2007, which stipulates health as fundamental right of all citizens, the Ministry of Health and Population (MoHP) has taken major steps to progressively realize this right. Increasing access to quality health care services is one of the core objectives of Nepal Health Sector Programme 2010-2015 (NHSP II). Major progress has been made with the introduction of the Free Health Services Programme, (certain services free at the point of service delivery), as well as other schemes dedicated for specific health conditions and risks such as the Safe Motherhood scheme *Aama Programme*. Nevertheless, out-of-pocket payments, the most regressive and unfair way of financing health care, still remains the principle means of health financing in Nepal with 55% share of total health care expenditure.¹ The current health system provides only limited support to meet catastrophic health costs. There is also a need to understand how well public funds target the poor and how benefits are distributed across socio-economic groups.



Source: Joseph Kutzin (2000), A descriptive framework for country-level analysis of health care financing, in: Health Policy 56, 171-204

Health financing policy is fundamental to effective social health protection for the people of Nepal. A comprehensive health financing policy entails progressive revenue collection, pooling of revenues and health risks, and enhanced institutional capacity to purchase equitable and quality health care services to efficiently use the available financial resources.

The MoHP has already embarked on strategic and policy level discourses to further the effort in health financing and social health protection. Within the spirit of the Sector Wide Approach (SWAp), the External Development Partners (EDPs) are committed to support the government's endeavour to draft a comprehensive health financing strategy.

¹Ministry of Health and Population.(2009). Nepal National Health Accounts.

²Ministry of Health and Population (2010).Nepal Health Sector Programme II.

Key Terminology

- **Social health protection** can be understood as a system – based on pre-payment and risk pooling – that ensures equitable access to needed quality services at affordable price, whereas contributions to the system are based on capacity to pay and benefits are based on needs.
- **Catastrophic health expenditure** is a health expenditure at such a high level as to force households to reduce spending on other basic goods (e.g. food or water), to sell assets or to incur high levels of debt, and ultimately to risk impoverishment.
- **Revenue collection** refers to the agencies that collect money, the contribution methods used and the initial funding source (general tax revenue, payroll tax, and other earmarked tax for health care services).
- **Pooling** refers to the accumulation of prepaid revenues on behalf of the population.
- **Purchasing** is the process by which pooled funds are used to pay providers for delivering a specified set of health interventions.



A number of workshops in 2009 and 2010 set the climate to move forward with the social health protection agenda and provided initial thoughts on the health financing policy reform. Several policy options ranging from improving the current system by efficiency gains to establishing a national insurance scheme have been discussed.³

The workshop

With the objectives to take stock of the current progress in health financing and social health protection, identify ways forward and narrow down realistic options, MoHP organized a one-day workshop on 22nd March 2011. More than 40 officials representing MoHP, government line agencies including Ministry of Finance (MoF), Ministry of Labour and Transport Management (MoLTM) and National Planning Commission (NPC), and EDPs participated. National and international resource persons were also present to provide technical inputs.

Major recommendations

1. Set up a core team to draft health financing strategy and implementation plan for social health protection.
2. Assess information gaps through further studies in areas such as fiscal space, costing of benefit packages, distribution and purpose of out-of-pocket payments and pre-paid resources among the population, and assess community based health insurance in Nepal.
3. Improve the current system and work towards establishing a Social Health Protection Centre under MoHP to progressively:
 - a. Consolidate existing social health protection programmes including different purchasing mechanisms and block grants to hospitals, under one single management and administration
 - b. Let the proposed Social Health Protection Centre work as a fund holder and introduce strategic purchasing.
 - c. Achieve capacity enhancement in the areas of purchasing and contracting, health economics and health financing, financial management, actuarial and auditing, etc.



³MoHP-GIZ Health Sector Support Programme. (2010). *Nepal at the Crossroads: Setting the Stage for Improved Social Health Protection*

Key messages from the workshop

- Commitment of Government of Nepal with strong desire to improve equity, efficiency and reduce catastrophic health expenditure by improving the current health financing system.
- Joint position of EDPs, exhibited through a single consolidated presentation, to support the government in health financing and social health protection.
- Gradual integration of existing social health protection programmes and service purchasing functions under one management and administration (Social Health Protection Centre).
- Introduction of strategic purchasing whereas the Social Health Protection Centre acts as fund holder and purchaser.
- Moving towards output based budgeting.
- A need for capacity enhancement to go hand in hand with the policy processes.
- Crucial relation of good governance with health financing reform.
- Narrowing down the evidence, information and analytical gaps in health financing.