

National health financing strategy for Nepal Summary of discussions on the vision

The performance of Nepal's health sector e has been impressive, but challenges remain:

Nepal has made significant progress in improving basic health and health service indicators over the past two decades. However, this progress has not been uniform. Health outcomes suggest increasing inequities between income quintiles and geographical regions. Furthermore, out of pocket spending has remained high and been increasing over the past few years. Estimates indicate about a 2.5% point increase in poverty as a result of high levels of out-of-pocket spending (OOP) in health.

Government response to address the challenges: to address the growing inequality, the government aims to expand the coverage of services to the un-served population and to address high OOP, the government aims to expand the types of services provided for free. While the expansion of services to cover the un-served population is straight forward, the mechanism of reducing/channeling OOP is yet to be clarified. One option being explored is introducing insurance to cover catastrophic expenditures to reduce impoverishment.

Resources to finance government's response: additional resources are required to finance the planned government response to the challenges but the sources are limited:

Limited potential for increasing public spending on health. Currently there is limited potential to increase resources for health from general government revenues: from GDP projections, only a 0.1% increase in public health spending is predicted; external assistance to Nepal is already one of the highest in the region and, in the current financing climate, this is unlikely to increase significantly; the share of health in government spending is also relatively high as compared to other countries in the region – 7 -10%. Given this, negotiating a higher proportion for health would be difficult; negotiating a higher share of taxes where associated activities impact health directly could be possible but these usually raise only a small proportion of the health budget. The political and financing feasibility of increasing resources from (earmarked) taxes for health (e.g. payroll taxes as mandatory contributions to a social insurance scheme) needs to be considered in especially given the limited size of the formal sector in Nepal.

Potential to improve efficiency in the use of currently available resources. Reducing inefficiencies in the utilization of resources could be a viable means of effectively raising funds for health. Grants account for 10% of the health budget and gains from these grants are possible. The other area that requires attention in terms of efficiency improvement is medicines where a major part of public as well as out-of-pocket expenditure goes to the purchase of medicines.

What could the health financing strategy do? The purpose of the health financing strategy is to develop a plan of action, which best meets the values, expectations and societal preferences, towards achieving universal coverage. It particularly guides the Ministry of Health and Population in its efforts towards addressing the challenges in a systematic and coherent way so that better health outcomes are attained for the population. The strategy will put together the government response (both ongoing and planned) to address the challenges stated above in a comprehensive manner. It will provide options for:

Consolidation of initiatives: various initiatives are consolidated so that they are better targeted and to provide value for money. This also includes managing fragmented contributory schemes/funds under the umbrella of a larger, single social protection scheme for health; and, extending this as far as possible to uninsured/unprotected populations.

Strategic purchasing: use of results based financing/purchasing mechanisms/provider payment methods. This aims at changing the incentive structure to improve performance in a decentralized setting as well as in public facilities especially hospitals. It could also be used to engage the private sector in the national health strategy particularly in scaling up services where it may be more cost-effective to contract private providers than expand the public facility network.

Defining the benefit package: this looks at the package of services under free care and new services to be added based on well defined principles.

Vision of the health financing strategy: : Establishing a health financing vision for the future, based on an understanding of the present, is crucial because the path to be chosen by Nepal will depend on the vision. Such vision could practically look into the coming 3-5 years to balance the long term aim with the political and economic situation of Nepal. This vision will provide guidance by answering the following questions: Where to start the expansion (with the poor or the formal sector? , etc) How to identify the poor and the disadvantaged (income, demographic, social or geographic targeting)? What services to cover (basic minimum package, hospital services, medicines, transport, etc)? At what cost? Who decides the benefit package? How? And how often the package is revisited? Who will provide care (offer a choice between government and non-government providers?)? who pays and how are payments made? What is the role of MoHP (provider of care, purchaser of services, stewardship to ensure access, quality etc)? How does the envisaged role differ from the current arrangement?