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### **Health Care Financing**

Health care financing is a central issue for many governments. The performance of health systems towards achieving national health objectives largely depends on health care financing arrangements. Today, most countries rely on a mixture of general taxation, health insurance, external funding and private financing such as out-of-pocket payments.

High demand and rapidly increasing health service costs place a heavy burden on all sources of financing. Limited financial resources faced with the growing demand on health care often motivate alternative funding strategies under different health sector reform agenda. However, increased amount of health expenditure does not always result in equivalent health improvement due to various degrees of efficiency and effectiveness of resources used.

Appropriate policy and regulations help to ensure equitable and effective health care financing arrangements. Good pricing, budgeting and accounting skills of health managers and technical experts working at all levels of health administration greatly contribute to the maximisation of health gains from available financial resources.

Health promotion and prevention are generally accepted as effective health interventions for reducing the burden of disease and improving and maintaining population health. However, health care financing in many countries leans heavily towards hospital-based curative care. As a result, many cost effective public health programmes are either under-funded or not available to the population due to disproportionate allocation of financial resources.

A lack of reliable health care financing data and information sometimes leads to wrong policy direction and creates a disincentive in funding and provision of health services. Evidence shows that private financing in the form of out-of-pocket payments is an ineffective method of financing. In situations where out-of-pocket payments dominate in total health care financing, ill health causes catastrophic

financial payments at a household level and pushes low-income families into poverty. Therefore, it is vitally important that health care financing systems contain appropriate and effective elements to protect the poor and low-income population from unjustifiable financial burden due to illness and medical care cost. In recent years, prepayment financing, such as general taxation and social health insurance based on the principles of risk sharing and fund pooling, are considered one of the best options for improving financial protection and strengthening social safety nets for health.

Health care financing experts agree that there is no single model or answer to what type of health care financing arrangement is good for every country. Policy and decision makers need to assess and improve their national health care financing arrangements to best suit country-specific socioeconomic settings.