

National Health Financing Strategy

Concept Note

Introduction

The USAID Health Finance and Governance (HFG) Activity is working with the Government of Jordan (GOJ) to increase spending efficiency of public resources for health in support of the government's UHC goal. Currently, the GOJ does not have a health financing strategy (HFS) to improve public health sector's main financing functions; revenue collection, risk pooling and purchasing. An HFS will provide the country with a roadmap to increase the public health systems' efficiency, eliminate waste and guide financial resources to meet the essential requirements for achieving UHC.

WHO states that a Health Financing Strategy “is based on a diagnosis of how a country's health system currently performs relative to stated goals and objectives, which are usually framed in terms of UHC; this diagnosis identifies both the specific ways that problems manifest themselves and their underlying causes, both internal and external to the health system, focuses on the entire population of a country, and the national health system, not just a single component or a single scheme within it. It takes a comprehensive view of all functions, policies, linkages and alignments across the health system, identifies a set of detailed country-specific objectives, together with a prioritized set of actions which address the problems identified, within a specified period (e.g. 5 to 10 years); it also considers how reforms need to be sequenced. includes an evaluation strategy to ensure both public accountability and mid-course corrections.”

Approving a health financing strategy will require agreement and consensus meetings and rounds of consultations with stakeholders, especially those responsible for implementation. Approval and buy-in of the strategy from the highest political and decision-making levels in the form of parliament or cabinet decisions may also be needed.

USAID's report on “Developing and Implementing Health Financing Strategies” provides three key lessons learned:

- A. The HFS development process should be overseen by multi-sectoral committees working towards clear agreed upon objectives.
- B. Comparison with peers can positively influence a country's decision about which health financing priorities and reforms to include in its strategy.
- C. HFS development acts as a catalyst for health financing data generation and use.

To build on these lessons learned and under the leadership of the High Health Council (HHC), HFG will facilitate, to form a multi-sectoral committee, responsible for strategy formulation and driving the implementation of the strategy. The HHC, chaired by the Minister of Health, formulates health sector policy, generates evidence to inform policymaking, and facilitates multisectoral engagement. The HHC will lead the strategy formulation process through a national team representing all relevant official institutions.

Jordanian Health Financing Context

The 2015 National Health Accounts mentions that the total health expenditure is 3.1 Billion US \$, with the public sector carrying 65% of this total health expenditure. That amount represents 8.44% of GDP; a figure that has been under pressure for the last few years due to the increasing pace of health expenditure growth compared to GDP growth. Per capita, the average spending on Jordanian health is 333 US \$; which is below the average of neighboring markets (i.e. Lebanon's 2014 total expenditure on health per capita is ٩٨٧ US\$). The public health sector's expenditure has reached a ٥,٥% from GDP and is taking on more pressure due to population increase and overall need for improved efficiency in the health sector. There are several key strategic issues affecting the performance of the health finance system, whether it's on the revenue raising and pooling or the efficiency of health spending and purchasing. Below are highlights of some of the key drivers affecting health finance performance in Jordan:

- I. The health sector has an estimated 433 M JD of arrears as of 2017. This debt has accumulated during the years as a result of many factors related to spending efficiency and the fast growth of health expenditures when compared to GDP growth.
- II. Revenue raising tools are not optimized nor enforced. For example, although the Social Security Corporation bi-laws mention that there is a percentage of deduction from the monthly income to cover health insurance. In addition, while a strong taxation system in other countries is key to cover public sector programs such as health, in Jordan, the taxation system is still maturing and adapting with new changes, primarily increase in tax cuts and reductions in tax exemptions. Tax evasion is also a trend that is being addressed by the current government in order to improve tax collection and penalize tax evaders.
- III. Inefficiency of spending in the health sector is a major barrier to reaching a sustainable and resilient health finance reform. For example, the country doesn't have a national insurance fund, that collects and pools all revenue. The current situation is a fragmentation of health funds, and therefore the economies of scale needed for risk pooling is not achieved. Also, the MOH plays several roles such as acting as a payer, provider and regulator. HFG believes that separation of roles is key for any potential improvements in the future.
- IV. Physician costs in both the public and private sectors are based on opinions and not evidence. In addition, the cost disparities across the public and private sectors is unknown due to non-standard coding classification.
- V. Strategic purchasing principles are not applied in health. The relationship between a buyer and providers should be based on payments based on performance. Yet the current system does not adopt performance-based payments. Performance based payments depend in part on reliable claims data based on standard coding classification systems. Contracts and service level agreements (SLAs) are also key to managing the relationship with providers.
- VI. Overall the Country's GDP in the last five years since 2014 has been growing at a slower pace than health expenditures. This is due to several reasons related to economic growth, but also the sudden increase in population from refugees.
- VII. Medical tourism was a strategic sector bringing in roughly 1.0 billion JDs yearly. Unfortunately, this sector that used to bring revenue not just in health, but across other sectors, has declined due to several reasons, amongst them is the visa restrictions on certain nationalities, and the rise of the Turkish medical tourism industry.

- VIII. For effective spending and efficiency, an essential health package (EHP) needs to be introduced. Currently, Jordan doesn't have an EHP, that defines the entitlements and exclusions for the insured.
- IX. Spending in the health sector is exaggerated because patients in many cases by-pass primary healthcare facilities and go directly to secondary and tertiary hospitals. In addition, there is evidence of overutilization of specialty outpatient care for chronic patients in the private sector. This of course raises the cost of health provision and defeats the purpose of having PHC centers as the first line of defense against many NCDs.

Overall, the health system is affected with different and multiple inefficiencies. Inefficiencies could be categorized into two areas. These include *structural inefficiencies* such as system governance, unavailability of one national insurance, and health system fragmentation. These inefficiencies affect the revenue raising and pooling efforts needed for optimized and resilient health financing. In addition to these, *tactical inefficiencies* related to an influx of headcount, waste in medicine, an overload of health facilities, lack of partnerships between public and private sectors, outdated policies, procedures and processes and the need for an effective performance monitoring system.

The Nahda Project -مشروع النهضة الوطني- mentions several positive initiatives that would help in reaching a resilient health financing structure such as performance monitoring of health facilities, increasing hospitals accreditation, adding 120 K Jordanians to the civil insurance program, contracting the private sector as needed, and having 100% of public hospitals computerized and automated.

Methodology

The HFS will support the HHC and MOH to identify key analytical factors, vision, mission, strategic objectives and KPIs. The strategic objectives must be holistic covering all identified issues in the strategy document, yet each one is unique (i.e. avoid duplication and replication). The environmental scanning (situational analysis) will examine all external and internal factors affecting health financing in Jordan. These factors will be analyzed through a SWOT analysis and then further summarized into key strategic issues and challenges. Strategic objectives will define the key areas to focus on. Each strategic objective will be defined and detailed clearly. Strategy monitoring and implementation will be done through a set of strategic KPIs to enable monitoring and steering of the strategy execution. A health financing strategy should follow a clear and rationale process beginning from analyzing the current situation, SWOT Analysis, key strategic issues, vision and mission, defining strategic objectives, to implementation and monitoring progress.

To facilitate consensus around the diagnosis and develop a prioritized set of actions, four technical parameters for an HFS will be covered:

١) Revenue raising

- Improve stability and accuracy in budget planning and execution
- Increase predictability, dependability and planning in the level of public funding over a period of years
- Shifting to reliance on public and compulsory funding sources (i.e. taxation, social security)
- Revenue raising from different sources such as taxes on alcohol and tobacco

٢) Pooling revenues

- Improve the redistributive capacity of available prepaid funds and ensure good resource allocation based on need and potential impact (i.e. PHC might get higher budget due to desired impact)
- having a national health insurance scheme that pools funds from different sources
- Decrease fragmentation, duplication and overlap through removing all possible barriers whether political, structural or legal.

٣) Purchasing services

- Increase the extent to which the allocation of resources to providers is linked to population health needs, information on provider performance, or a combination of both (Linking performance with compensation)
- Move away from the extremes of either rigid, input-based line item budgets or completely unmanaged fee-for-service reimbursement
- Manage and control expenditure growth (i.e. avoiding open-ended commitments in provider payment)
- Go for a unified data platform on patient activity, even if there are multiple health financing / health coverage schemes
- Consider using public funds to contract private sector providers and have mechanisms to hold them accountable through service delivery contracts and clear KPIs.
- Consider all options to make purchasing a “strategic purchasing” such as reforms to information systems, more autonomy to providers, linking compensation of providers to their performance, and process-re-engineering reforms to the national budget processes.

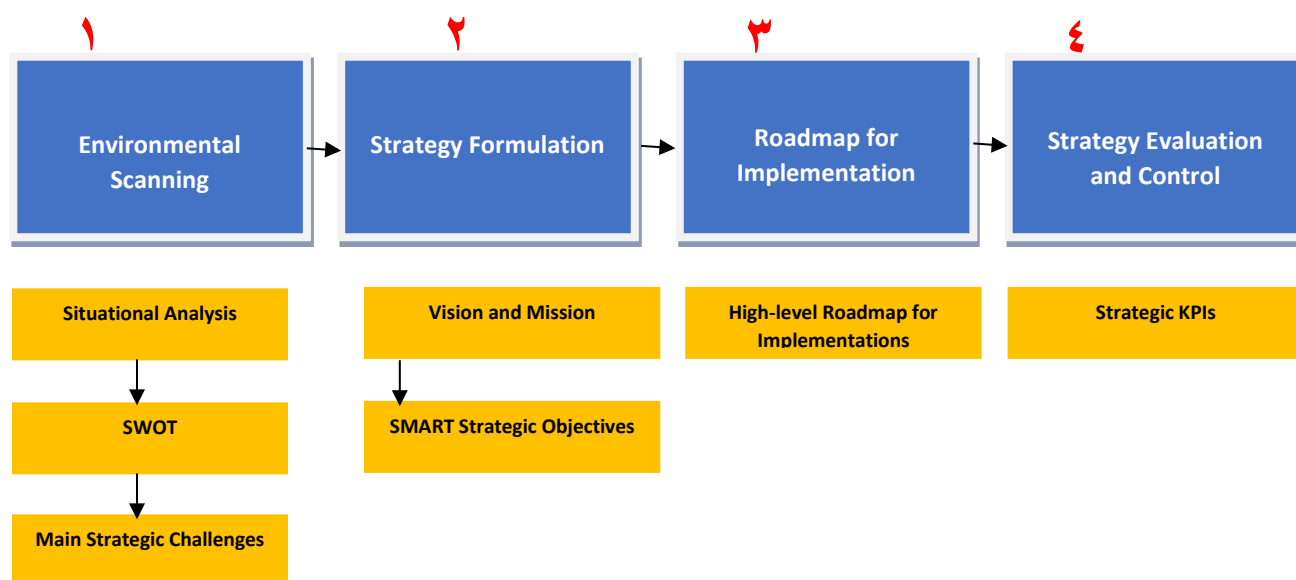
٤) Benefit design and rationing mechanism

- Clarify the population’s legal entitlements and obligations (who is entitled to what services, and what, if anything, they are they meant to pay at the point of use)
- Improve the population’s awareness of both their legal entitlements and their obligations as beneficiaries
- Introduce a benefit structure that provides value to healthy individuals including access to preventive screenings
- Align promised benefits, or entitlements, with provider payment mechanisms (signs of misalignment include extensive unofficial payments, delays in payment of salaries, shortage of supplies, and lack of funds to deliver statutory entitlements)
- Given that no system can provide everything to everyone, it is essential to communicate clearly all revenue-benefits balancing mechanisms such as patient co-sharing, referral requirements, waiting lists, and exclusions of services.
- The process for reviewing health benefits and packages should be regular and should be subject to cost effectiveness and budgetary impact analysis.

HFG will support the HHC and MOH to adopt a 4 phased approach to facilitate the development of the HFS under the HHC leadership, as per below graph.

- I. **Stage 1 (Environmental Scanning):** This phase will identify and analyze key factors affecting the health financing within healthcare. Financial landscape analysis to elaborate a diagnosis and identify the main health finance problems affecting the performance of the system. We expect this process to develop a detailed list of factors, ending with 2-3 key strategic issues and challenges.
- II. **Stage 2 (Strategy Formulation):** High level direction is key to steer the health financing efforts in the right direction, to reach a sustainable and resilient health finance system. We will support the development of the vision and mission statements. In addition, HFG will support the committee to define 2-3 key strategic objectives that are linked with key issues identified through the diagnosis phase.
- III. **Stage 3 (Road Map for Implementation):** A high level road map for implementation highlighting key strategy milestones, timelines, and key implementing stakeholders.
- IV. **Stage 4 (Strategy Monitoring and Evaluation):** HFG will support the committee to identify a set of high-level strategic KPIS to measure the level of implementation and effectiveness of the suggested strategy.

The style and approach for developing the strategy will be based on a collaborative approach with the HFS committee to ensure the buy-in, participation and collaboration of different stakeholders. The below graph summarizes the approach and the key elements under each phase.



Current Activities Contributing To an HFS

The HFS is considered an excellent exercise to connect, coordinate and integrate all strategic efforts and initiatives to reach resilient and sustainable financing for the health sector. So far, the HFG Activity in close partnership with the HHC and MOH has supported several important activities and interventions that contribute directly and indirectly towards a more resilient health financing system. Below are some of these key activities and interventions related to health financing:

١. Providing financial data for strategic planning through updating **National Health Accounts** using the (SHA2) methodology, this report provides detailed financial insights on the health sector for decision makers.
٢. Developed a paper entitled “**Efficiency Strategies to Support Financial Sustainability of the Health System in Jordan**” to the Ministry of Planning and International Cooperation (MOPIC) that defines the landscape for health financing in Jordan. This paper is being used at several levels of government as a seminal document for decision makers regarding the health finance and insurance sector.
٣. Conducted the first **comprehensive review of health insurance policy and legislation in Jordan** and presented it to the Health Interministerial Committee headed by MOPIC, MOH and HHC which resulted in HFG participation in the review and re-engineering of the Civil Health Insurance Program (CHIP).
٤. Contributed to **improving health insurance operations and processes for equitable health insurance coverage** by completing the operations reviews of selected public and private insurers and developing improvement plans to improve the efficiency of health insurance practices and optimize the insurance functions. The improvement of processes and establishment of the key health insurance functions is key to managing claims and improving the cost, quality and speed of health insurance claims.
٥. **Setting the landscape for improved governance practices** by focusing on creating the right landscape for change, capacity building, and establishing clear roles and responsibilities between central government and the governorates. HFG supported the MOH to execute 2018/19 budgets to move forward with fiscal decentralization through modifying processes to better meet health needs and priorities in governorates.
٦. Initiated the process for **defining an Essential Health Benefits Package** in collaboration with the CHIP which will contribute towards an efficient pooling of revenue to cover the essential needs of the population.
٧. Introducing international best practices such as **health technology assessments and strategic purchasing** for improved cost effectiveness of health resources.
٨. Lead the development of a comprehensive performance monitoring system for secondary public hospitals and is still engaged in developing a “*Performance Monitoring System*” for the key health strategies to ensure continuous monitoring and evaluation of KPIs, savings, efficiency and improvements could be achieved.
٩. One of the major cost inefficiencies is the bypassing of PHC to secondary hospitals. HFG is working with the MOH on **analyzing cost and utilization KPIs for all 700+ PHC centers**,



network analysis, and the geographical distribution of PHC centers. The improvement of PHC should results in cost and efficiency savings that would free capital, improve resource allocation, and improve NCD indicators.

١٠. **Engaging communities** to better understand the civil health insurance program benefits and entitlements as we as to channel civil society demands towards institutional challenges and formal governance structures and government representatives so the voice and accountability are within Jordan institutional structures.