Maldives National Health Account 2011

EXECUTIVE SUMMARY OF THE REPORT

For distribution during the workshop:
"Dissemination of the Results of the 2011 National Heath Account Survey "

Traders, Male, Maldives
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1.1 Maldives Health Sector Background

The Maldives health sector is in the process of undergoing significant changes to ensure fair access to quality health care to the whole population.

The Ministry of Health[1] (MOH) is coordinating and managing Health Sector Reforms with significant support from its key development partners such as the World Health Organization (WHO), the World Bank (WB), UN agencies and other donors to address key health sector systemic and operational issues. In 2012, MOH assigned a priority to National Health Accounts to collect and analyze evidence to guide reforms of the Maldives health systems. Health policy reforms aim to:

1. Improve the health status of the people;
2. Ensure equitable access to services;
3. Improve the quality of services delivered;
4. Optimize use of resources.

To design health financing policy options in order to achieve the above objectives, a comprehensive macro-level information is required about the composition of the health system, who are the key actors in the system, their relationships with each other and the key financing sources, agents and utilization of national health funds in the Maldives. National Health Accounts (NHA) are designed to give a comprehensive description of resource flows in a health care system, showing where resources come from, and how they are used.

1.2 National Health Account concept

NHA is a widely accepted tool that is promoted by the WHO and the WB to allow policymakers to understand and manage health systems, and to improve system performance. It is a framework for measuring total – public, private, and donor – national health expenditures. Formatted in a standard set of tables, NHA methodology organizes, tabulates, and presents information on health spending in user-friendly format. This format can be easily understood and interpreted by policymakers – including those without a background in economics. NHA essentially measures the "financial pulse" of a national health system by answering questions like:

- Who in the country is financing health services?
- How much do they spend and on what types of services?
- Who benefits from these health expenditures?

[1] Ministry of Health and Family (MoHF), after May 2012 MoFH was re-organized into Ministry of Health (MOH) and Ministry of Gender, Family and Human Rights. Since NHA Survey analyzed the data of 2011, thus MoFH and MOH is used interchangeably in this report .

1.3 Methodology

The Maldives NHA study followed the methodology provided by the Guide to Producing National Health Accounts (2003) prepared by WHO in collaboration with the WB and United States Agency for International Development (USAID). This NHA methodology is based on three information matrices that allow for four levels of analysis: sources of health funds, financing agents handling funds, providers of services and health functions. Needed adjustments were made to the classification schemes to bring them in line with the Maldives national specifications as well as preparing the team to start using the new System of Health Accounts (SHA II).

Several criteria were used to adapt the classifications: the transactions were grouped and partitioned so that they each represent an important, policy- relevant dimension. Partitioned transactions are mutually exclusive and exhaustive, so each transaction of interest is placed in one — and only one — category. Efforts were made, to the extent possible, to consider existing international standards and conventions when placing certain transactions into groups to assure international comparability of the Maldives data. While preparing preliminary 2011 NHA tables, the NHA team relied on existing data sources and, where absolutely essential, additional efforts were made to compile the information.

The compilation of National Health Accounts 2011 for the Republic of Maldives commenced in January 2012 with extensive meetings between the WHO, the MOH officials, NSPA, other national and international stakeholders, and the National Health Accounts team. The report highlights the key health funds actors as well as provides an assessment of the national health expenditures (both public and private). The aim of this round of NHA is to bring evidence, which will guide the Government and the MOH officials in reforming the Health sector. Reforming the health sector will have an impact on the provision, access to, financing and regulation of health services in the Maldives.

1.4 NHA Main Findings

Summary Results (FY 2011)

The main findings inferred from the NHA study:

Summary NHA Results	Amount in MVR	USD	USD/Cap
Population	320,000		
Exchange Rate $1=	15.42		
THE	2,766,573,290	USD 179,414,610	USD 561
Government Budget on Health	1,217,423,491	USD 78,950,940	USD 247
Total Government Budget	12,824,579,283		
GDP Estimates for the Maldives - 2011	29,936,000,000	USD 1,941,374,838	
GDP Per Capita	93,550	USD 6,067	
Govt Expenditures on Health per Capita	3,804	USD 247	
Total Expenditures on Health per Capita	8,646	USD 561	
THE as Percent of GDP	9.2%		
Public Sector Exp as % of GDP	4.4%		
Private Sector Exp as % of GDP	4.8%		
MOHF as Percent of Government Budget	3.1%		
THE as Percent of Government Budget	21.6%		
HH OOP over THE	49%		
Drugs over THE	17.0%		

Sources of Funds:

There are three principal sources of finance for the health sector in the Maldives: the public sources, the private sources and the external sources. Table E1 shows that the major source of health funds is the people of the Maldives, which accounts for almost 50%. The second main source of finance is the Government of the Maldives, 44%. External sources, such as donations and grants for multilateral and bilateral aid, contributed to less than 3.3%, and the employers contributed approximately the same percentage to cover their own employees for health insurance.

TABLE E1. SOURCES OF FUNDS, 2011

Sources of Health Funds	Amount MVR	%	Amount USD	Per Capita USD
Ministry of Finance & Treasury	1,209,222,934	43.7%	$ 78,419,127	$ 245
Other Public	8,200,557	0.3%	$ 531,813	$ 2
Household Funds	1,965,972,621	49.4%	$ 88,545,566	$ 277
NGOs and Community Health	4,910,654	0.2%	$ 318,460	$ 1
Employers Funds	87,965,070	3.2%	$ 5,704,609	$ 18
Donors	90,901,454	3.3%	$ 5,895,036	$ 18
Total	2,766,573,290	100%	$ 179,414,610	$ 561

Financing Agents:

Financing Agents in the Maldives receive health funds from the three main sources. As shown below in Table E2, direct out-of-pocket expenditures are high. Overall, more than 45% of Total Health Expenditures (THE) is managed and spent directly by the household, 45% by the Public Financing Agents and 3% by Donors and NGO's. The Health Services corporation manages most of the public financing resources (29% of THE) in 2011 and it also includes public health issues in its mandate but most of these resources have been diverted to curative care services at the Atolls level. Private Insurance manage a growing good amount of Health Funds in Maldives and represent almost 4% of THE. Donors transfer most of their funds to the Ministry of Health and Family and secondly to their own donor-run health services facilities and other aid groups and NGO's.

TABLE E2. SHARES OF HEALTH CARE SERVICES BY FA

Financing Agents	Amount MVR	%	Amount USD	Per Capita USD
MOHF	220,399,919	8.0%	$ 14,293,121	$ 45
Health Service Cooperations	811,660,976	29.3%	$ 52,636,899	$ 164
NSPA (Madhana)	250,815,216	9.1%	$ 16,265,578	$ 51
Private Insurances	91,609,364	3.3%	$ 5,940,945	$ 19
Private Households' out of pocket	1,245,290,196	45.0%	$ 80,758,119	$ 252
Local Non-Governmental Organizations	4,910,654	0.2%	$ 318,460	$ 1
Private Firms and Employers	68,111,166	2.5%	$ 4,417,067	$ 14
Donors Agencies	73,775,797	2.7%	$ 4,784,423	$ 15
Total	**2,766,573,290**	**100%**	**$ 179,414,610**	**$ 561**

Providers of Health Services:

Public Providers are the major recipients of national health funds. Public Providers receive more than 37% of Total Health Expenditures (THE). Public Providers consists of MOH facilities including Regional and Atoll Hospitals, outpatient Health Care Centers and Health Posts. Public Hospitals receive more than 30% of THE, public outpatient Health Centers accounts to almost 7.5%, and Health post for the remaining 1% of THE. Private Providers account for 28% of THE. The major private actors are Private physicians, dentists and pharmacies. Rest of the world providers account for 23%, mainly overseas treatments and paid mostly by the people of the Maldives.

TABLE E3. TOTAL HEALTH CARE EXPENDITURES BY TYPE OF FACILITY

Expenditures by Providers	Amount MVR	%	Amount USD	Per Capita USD
INDIRA GANDHI MEMORIAL HOSPITAL	291,908,358	10.6%	$ 18,930,503	$ 59
HULHUMALE HOSPITAL	22,162,080	0.8%	$ 1,437,230	$ 4
MOHF Regional Hospitals	269,551,106	9.7%	$ 17,480,616	$ 55
MOHF Atolls Hospitals	190,578,953	6.9%	$ 12,359,206	$ 39
Clinics and physicians	303,691,114	11.0%	$ 19,694,625	$ 62
Dentists Clinics	8,450,000	0.3%	$ 547,990	$ 2
Traditional Healers and other health practitioners	8,072,736	0.3%	$ 523,524	$ 2
Health Centers	207,361,484	7.5%	$ 13,447,567	$ 42
Health Posts	32,538,240	1.2%	$ 2,110,132	$ 7
Public Pharmacies	10,785,384	0.4%	$ 699,441	$ 2
Private Pharmacies	458,993,061	16.6%	$ 29,766,087	$ 93
Providers and administration of public health progran	47,294,555	1.7%	$ 3,067,092	$ 10
Government administration	141,525,823	5.1%	$ 9,178,069	$ 29
Private administration	14,954,593	0.5%	$ 969,818	$ 3
Institution providing health related services	102,529,886	3.7%	$ 6,649,150	$ 21
Rest of the world providers	656,175,917	23.7%	$ 42,553,561	$ 133
Total	**2,766,573,290**	**100%**	**$ 179,414,610**	**$ 561**

Total Health Expenditures by Functions

The NHA results show that the Maldives health funds are primarily spent on curative care and little goes towards preventive care. The majority of total health expenditure in the Maldives (66.8%) is spent on Inpatient and outpatient curative, with almost 11% spent on administration and 5.5% on preventive care, and 17% on medicines.

TABLE E4. FUNCTIONAL DISTRIBUTION OF TOTAL HEALTH EXPENDITURE

Expenditures by Functions	Amount MVR	%	Amount USD	Per Capita USD
Services of curative care	1,847,970,152	66.8%	$ 119,842,422	$ 375
Ancillary services to health care	2,990,018	0.1%	$ 193,905	$ 1
Medical goods dispensed to out-patients	470,488,294	17.0%	$ 30,511,562	$ 95
Prevention and public health services	51,558,748	1.9%	$ 3,343,628	$ 10
Health administration and health insurance	295,300,385	10.7%	$ 19,150,479	$ 60
Health Related Functions	98,265,693	3.6%	$ 6,372,613	$ 20
Total	**2,766,573,290**	**100%**	**$ 179,414,610**	**$ 561**

A summary of the functional breakdown in Table E5 shows that nationwide, Maldives spent USD 130 per capita on inpatient curative services and the same amount on inpatient treatment abroad. Only USD 11 per capita has been spent on public Health Programs. As a result of the pharmaceutical survey, USD 95 per capita has been spent on medicines in 2011. This high spending has been a great concern for the Government and further attention has been made on Pharmaceuticals and Drugs Policy in term of consumption and control of the import-export operation. Administration accounts for 10% of total health expenditures. Three percent of THE was spent on health related function and new investments and technology for health mostly paid by the donors.

TABLE E5. AGGREGATED FUNCTIONAL DISTRIBUTION OF TOTAL HEALTH EXPENDITURE

Expenditures by Functions	Amount MVR	%	Amount USD	Per Capita USD
In-patient curative care	641,052,654	23.2%	$ 41,572,805	$ 130
In-patient treatment Abroad	656,175,917	23.7%	$ 42,553,561	$ 133
Out-patient curative care (Without Dental)	534,023,817	19.3%	$ 34,631,895	$ 108
Out-patient dental care	8,605,102	0.3%	$ 558,048	$ 2
All other specialized health care (TH Curative Care)	8,072,736	0.3%	$ 523,524	$ 1.6
Emergency services within hospitals	39,927	0.0%	$ 2,589	$ 0.0
Clinical laboratory	2,189,930	0.1%	$ 142,019	$ 0.4
Diagnostic imaging	115,925	0.0%	$ 7,518	$ 0.0
Patient transport and emergency rescue	684,164	0.0%	$ 44,369	$ 0.1
Medical goods dispensed to out-patients	470,488,294	17.0%	$ 30,511,562	$ 95
Maternal & child health, family planning and counselin	13,174,414	0.5%	$ 854,372	$ 3
School health services	37,500	0.0%	$ 2,432	$ 0.0
Prevention of communicable diseases	33,349,754	1.2%	$ 2,162,371	$ 7
Prevention of non communicable diseases	4,398,729	0.2%	$ 285,261	$ 1
Occupational health	29,812	0.0%	$ 1,933	$ 0.0
All other miscellaneous public health service	574,544	0.0%	$ 37,260	$ 0.1
Government administration of health (except social s	273,063,109	9.9%	$ 17,708,373	$ 55
Administration, operation and activities of social secu	7,282,682	0.3%	$ 472,208	$ 1
Private Health administration and health insurance	14,954,593	0.5%	$ 969,818	$ 3
Capital formation of health care provider institutions	35,012,182	1.3%	$ 2,270,570	$ 7
Education and training of health personnel	62,696,808	2.3%	$ 4,065,941	$ 13
Research and development in health	339,069	0.0%	$ 21,989	$ 0.1
Food, hygiene and drinking water control program	176,896	0.0%	$ 11,472	$ 0.0
Environmental health	40,740	0.0%	$ 2,642	$ 0.0
Total	**2,766,573,290**	**100%**	**$ 179,414,610**	**$ 561**

Household Expenditures on Health

Using the Household Income and Expenditures survey (HIES 2009-2010) and the Census 2006 to extrapolate data on household expenditures was not enough, the NHA team had to use additional NHA surveys of the major providers in the Maldives to calculate total out-of-pocket (OOP) spending. Thus, the estimated household expenditures are based on the different surveys conducted by the team in the year 2012.

Household out-of-pocket expenditures account for almost 49% of total health expenditures in Maldives. The percentage of household contribution to health expenditures has been highlighted in this NHA report and was a surprise above the expectation. This high percentage is due to a variety of reasons including higher estimate for the pharmaceuticals and high estimate for treatment abroad derived from HIES 2009-2010. A more systematic way was used attempting to estimate household expenditures taken into account the market size including the private sector and users fees at different providers' level.

The NHA results highlight the total household expenditure on health in 2011, which amount to MVR 1.3 billion (USD 88.5 million) or 49% of total health expenditure in the Maldives. The amount of USD277 OOP spending per capita is extremely huge compared to most of the countries in the region. Almost 53% of household expenditure was spent at the public providers and 47% at the private. Table E6 below shows the distribution of OOP per functions in the Maldives.

TABLE E6. OUT-OF-POCKET DISTRIBUTION BY FUNCTIONS

HH OOP Expenditures by Functions	Amount MVR	%	Amount USD	Per Capita USD
In-patient curative care	59,192,121	4.3%	$ 3,834,769	$ 12
In-patient treatment Abroad	656,175,917	48.1%	$ 42,553,561	$ 133
Out-patient curative care (Without Dental)	263,393,497	19.3%	$ 17,081,290	$ 53
Out-patient dental care	8,450,000	0.6%	$ 547,990	$ 2
All other specialized health care (TH Curative Care)	8,072,736	0.6%	$ 523,524	$ 2
Medicines	250,065,925	18.3%	$ 16,216,986	$ 51
Out-of-pocket Registration fees to MOHF	22,165,836	1.6%	$ 1,437,473	$ 4
Premium paid to Health Insurance	97,916,589	7.2%	$ 6,349,973	$ 20
Total	**1,365,372,621**	**100%**	**$ 88,545,566**	**$ 277**

1.5 Conclusion and recommendations

At this stage of the Health Sector Reform, this first NHA report focuses on identifying the total health expenditures. It will allow the Government of Maldives to refer to the findings for active policy decisions.

The following are the key policy questions that derive from the 2011 NHA Survey findings:

- How much should Maldives spend on health services?
- How much the Ministry of Health should spend?
- How much the people of the Maldives afford to spend?
- How can the Government recover some of its budget?
- How should the Government re-align its budget process on health and how the NHA findings can be used to formulate an equitable and sustainable health insurance scheme?
- How much can be pooled and who should fund the Health Insurance scheme?
- How the Government of the Maldives should shape the health sector finance to fit the under or over use of the preventive versus curative?
- What should be the role of partners: the donors, public sector and private sector in the Maldives?

Notes on Health Care Financing:

Several important health-financing issues have been identified in the NHA report, including the follows:

- There is little coordination among multiple public delivery systems or among public and private systems.
- In relation to the insurance market, the way the health sector operated has changed in 2012. National Health insurance scheme was launched in January 2012. In this regard, two aspects are to be considered: (1) **actuarial studies** are of critical importance at this stage in order to

calculate risks and premiums; (2) the methods used to **pay providers** of care can influence access, efficiency, and quality.

- Expenditures in relation to GDP are **high** and in line with OECD countries averages (9.2 percent).
- Almost half of the Maldives' health expenditures derive from the people out-of-pocket (inclusive of the premium for health insurance deducted from their salaries); this is high and carries high risks of catastrophic expenditures for households. A question one might keep in mind: what will be the impact on **poverty** and **vulnerability**? Whether the state will be able to pay against such expenses and or fill the gap?
- **Forty four percent** of Health fund is paid by the government. Can the government afford to sustain this level of funding in the future?
- Very little (3%) is paid for **prevention** care and mostly funded by the donors. Prevention supposed to be the stated health care priorities of the nation – health promotion, prevention, and primary health care – What action the government is taken toward preventing diseases?
- Only **3 percent** of Maldives' health expenditures derive from **external donors**; this is low. A question one might keep in mind: why donors are not supporting health sector in the Maldives? Why is it not exceeding 3 percent of THE?
- Private expenditures represent **53 percent** of sector-wide expenditures. Private funds represent 6 times of the Ministry of Health expenditures.
- There is **one Private Hospital** in the capital city of Male and the Government of Maldives is the only provider of inpatient care in the atolls sub-national level.
- **Pharmaceuticals** accounted for over **17 percent** of total health expenditures. The majority of the pharmaceuticals sold in the Maldives are expensive trade names with low rate of generics.

Notes on the insurance market:

The major issue for health insurance market in the Maldives is the fact that those companies make no inquiries on the insured person's medical condition, income, business or profession, place of work, etc. To be insured at any private insurers, it is sufficient to pay the premium in advance. Average premium is low as people are not encouraged to have a private policy. The private insurance industry is hoping to develop products that will be attractive to the emerging middle and upper incomes. It also intends to capture the people currently going abroad for treatment.

There is **limited capacity to regulate the private insurance industry.** Although, starting from January 2012, the government through its agency, the National Social Protection Agency (NSPA), launched the National Health Insurance scheme (Asandha), the public sector is still lacking the expertise to operate a public insurance scheme and has to deal with the private insurers like "Allied Insurance" to **manage and operate the system**. The **lack of actuaries** to calculate risks and premiums is currently a major constraint for the development of any public health insurance. There is a need to train actuaries for the development of health insurance products. A major need for NSPA in the near future is to **run an assessment** for the national health insurance scheme.

This assessment should:

1- Evaluate its sustainability and the long-term potential to provide equity, coverage and financial protection.
2- Test different scenarios of “provision/ payment” to inform stakeholders on how NSPA can be fiscally sustainable and how Maldives’ other health financing objectives can be met.
3- The national attention on issues of the Health Insurance plan preparation necessarily brings into sharp focus the question of how to assure adequate, community-wide, health care financing in the Maldives.
4- Build a basic knowledge of the national health insurance plan model and different scenarios and options that can be applied based on the proposed bill started in January 2012.
5- Identify the disadvantaged groups in the population and the targeted subsidy.
6- Study the Basic Benefit Package to cover and services cap.
7- Study the Provider payment mechanism.
8- Study the different contribution/ collection mechanisms and government disbursement;
9- Recommend the appropriate contribution rates, subject to the anticipated effectiveness of the government funds and the employers/employees market.
10- Propose an appropriate government contribution rate for the disadvantaged groups in the context of principles of risk pooling and solidarity; and study specifically an impact analysis focusing on:
    i. The impact on public finances and on total health spending;
    ii. Possible effects on equity, access, coverage and health-seeking behaviors;
    iii. Potential for financial protection against catastrophic spending including that related to overseas treatment;
    iv. Possible effects on the current level and quality of health care services

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