

## National Health Accounts and its Relevance To Policymaking in the Middle East and North Africa

### *What is National Health Accounts?*

National Health Accounts (NHA) 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 various aspects of a nation’s health expenditures. This format is one that can be easily understood and interpreted by all policymakers, including those without a background in economics. NHA is a globally accepted tool that essentially measures the “financial pulse” of national health systems by answering questions like:

- ▲ How is health care being financed? Who pays? How much? On what types of services?
- ▲ How are resources for health and health care organized and managed?
- ▲ How are funds distributed across different services, interventions, and activities?
- ▲ Who benefits from health expenditure?

### *Why is NHA relevant to policymaking?*

NHA is a tool specifically designed for health sector policymakers and managers. It aims to aid them in their efforts to improve health system performance. It does so by providing information useful to the policy process, that is,

an overview of the current use of financial resources. This can aid in the monitoring and evaluating of health care interventions, in particular, to judge whether resources have been spent efficiently and effectively. By providing information on where health funds are being used – if they are reaching the poor or not, for example – NHA can also contribute to policy formulation and the development of health care priorities. Having been standardized internationally, NHA allows for comparison of health expenditures among different countries and health systems. In addition, NHA, if conducted periodically, can be used to track expenditure trends that develop over time and to make financial projections. Essentially, NHA helps policymakers to make better-informed decisions.

### *NHA in the Middle East and North Africa*

In 1999, NHA exercises were jointly launched by eight countries in the Middle East and North Africa (MENA) region: Djibouti, Egypt, Iran, Jordan, Lebanon, Morocco, Tunisia, and Yemen. (Now the network has been expanded to include the Gulf countries, Pakistan, and Syria.) This joint effort resulted in the formation of a regional NHA network, composed of country teams made up of representatives from governmental, non-governmental, and research institutions. Over the course of a year and a half, network members participated in NHA workshops,

*Many countries in the Middle East and North Africa region are in the process of reforming their health systems in an effort to improve the equity, cost containment, and financial sustainability of health services. With health systems that are growing both in scope and complexity, policymakers need tools to help them gauge and manage their health care resources. National Health Accounts is one such tool that helps countries to clearly visualize the flow of funds through the health system so as to contribute to “better informed” health policy decisions making.*

training seminars, and policymakers' dissemination conferences, and they utilized each other's expertise in developing comparative NHA findings report. Regional meetings of the network allowed for cross-country sharing of experiences and lessons learned. Country teams worked together during their regional meetings to find solutions to common problems faced in NHA implementation.

Most recently in Morocco (2002), representatives of nine MENA countries and Oman committed to work together towards the institutionalization or continued implementation of NHA. The commitment of these senior health policymakers and NHA technical team members was manifested in several concrete steps, including their adoption of a common Institutionalization Framework, and election of WHO/EMRO (World Health Organization/Eastern Mediterranean Regional Office) as the regional coordinating center for MENA NHA network activities. In addition, policymakers affirmed that NHA would be structured from the onset to meet their policy priorities and obtain significant stakeholder "buy-in." A few MENA countries are presently conducting their second round of NHA.

### **How has NHA informed the policy process in countries of the MENA region?**

Despite its recent introduction to the MENA region, National Health Accounts has already contributed significantly to the policy process of MENA countries. Below are examples of how it has been used in policymaking.

#### ***Informing health policy dialogue:***

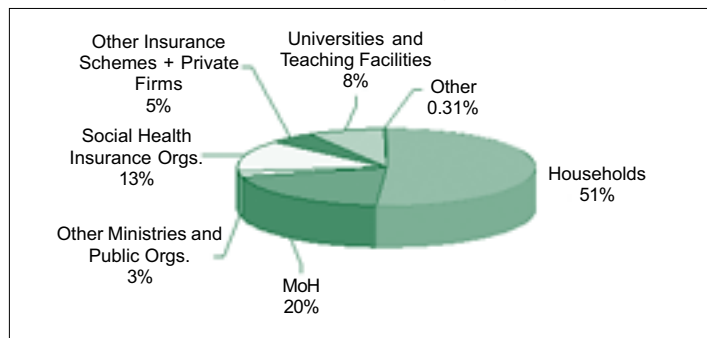
The Egyptian Ministry of Health and collaborating international agencies (World Bank, U.S. Agency for International Development [AID], and European Commission [EC]) used NHA findings and other, non-financial data to initiate a policy dialogue that led to the design and ongoing implementation of a primary health care restructuring initiative.

NHA contributed to the promotion of this initiative when it showed that Egypt spent nearly 4 percent of its GDP on health care, with household out-of-pocket expenditures amounting to almost 50 percent of total expenditures and the

Ministry of Health and Population accounting for less than 20 percent of total expenditures. While the sum spent on primary care should be adequate to provide a set of basic services to all, most of these resources were not organized or allocated in efficient ways. In addition, the burden of these expenditures was very inequitably distributed, with the poor spending the largest share of income on care. This form of financing also resulted in lower levels of access to care by the poor and those living in rural areas.

Such findings provided the Egyptian Minister of Health and Population with the needed information to convince the People's Assembly, the public, and those working in the ministry of the need to significantly restructure the way primary health was organized and financed in Egypt. Also, NHA provided valuable information to the World Bank, USAID, and EC to inform their discussions with the government. Consequently, the Minister of Health and the international donors, through a series of discussions, were able to arrive at a mutually acceptable reform agenda as well as financing support.

**Household Out-of-Pocket Expenditures as Share of Total Health Care Spending in Egypt**



Source: 1994/1995 Egypt NHA

NHA revealed that household spending was significantly greater than MOH expenditures on health care, leading to a change in health financing allocations in Egypt.

#### ***Changing health policy direction:***

Before NHA was conducted in Jordan, the country was interested in implementing universal insurance based on an unsubstantiated belief that a large proportion of the population was uninsured and that there was inequity in financial access to health care. However, a household survey conducted in conjunction with health accounts, found that the country did have a fairly equitable health system and that a majority of

the population did have some sort of coverage. This caused the country to shift its policy focus to 1) make the system more efficient and contain excessive costs such as those stemming from multiple insurance coverage, 2) strengthen primary health care in a more financially sustainable manner, and 3) identify subgroups of the population that may need specific health care interventions tailored to their health needs. Although NHA findings ran counter to a predisposed policy route it was able to positively effect a change in policy.

### *Raising awareness about the need for cost-containment:*

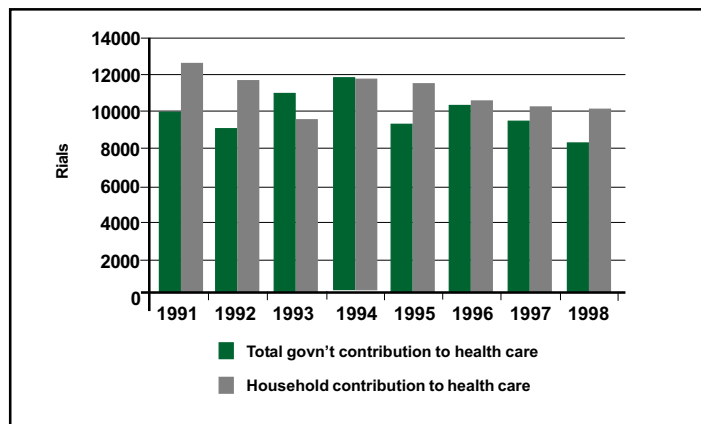
The 1998 NHA results in Lebanon highlighted excessive expenditures on health care – far higher than other upper middle-income countries with similar socio-economic characteristics. Almost 12.5 percent of the gross domestic product (GDP) was spent in the health system. A probe into the reasons why the expenditures were so high identified the “fee for service” policy, whereby the government in absence of any public health providers allowed individuals to seek care in the private sector and then reimbursed them for each service. This contributed to high utilization rates and therefore high costs. As a result of this revelation, the Lebanese government is now in the process of taking steps to implement provider payment reforms. The reforms will introduce a system of capitated payments and a schedule of fees, as well as identify medical procedures that can be conducted on an outpatient or day basis rather than the current, more costly inpatient basis.

### *Revealing areas in need of more health care funding<sup>1</sup>:*

After the revolution in 1979, the government of the Islamic Republic of Iran instituted universal health care, and the national health system rapidly expanded to meet the objectives laid out in the policy. Today, the government of Iran is the largest purchaser of health care services, operating the system through the Ministry of Health and Medical Education.

Iran completed its second NHA exercise in 2000 (for the 1998 estimate). NHA results showed that, while per capita household expenditures on health care remained relatively

**Per Capita Expenditures on Health Care by Households and Government in Iran (adjusted)**



After NHA revealed a trend of decreasing government spending on health, the Ministry of Health and Medical Education used the information to obtain an increase in its budget in 2000. With increased revenue from rising oil prices, more resources were available to the government overall and for the health sector in particular.

stable over the 1990s, per capita government expenditures first tended to fluctuate, and then, after 1994, began a steady decline. The Ministry of Health and Medical Education used the information revealed by NHA to lobby for and obtain an increased budget in 2000 (an action facilitated by increased revenue from rising oil prices).

In addition to information on trends in government per capita expenditures on health, NHA showed that expenditures on private hospitals are higher than any other expenditure category. As of 1998, private inpatient hospital expenditures were almost 1.25 times more than public inpatient hospital expenditures. This and other findings suggested that households were seeking hospital care in the private sector, and likely at a higher cost. Based on this information, the government of Iran is more closely investigating the reasons for the large amount of private hospital expenditures. The government is using NHA to inform these discussions and to adopt strategies for a comprehensive health care reform initiative.

<sup>1</sup> Contributed by Dr. Hossein Salehi former NHA team member from Iran

## Why continue conducting NHA in the MENA region?

MENA countries face low projected economic growth rates (0.9 percent of GDP) over the next 10 years, rapidly increasing and aging populations, and a growing need for more costly health services for chronic conditions. Given these characteristics, MENA countries are reorienting their health financing strategies to ensure the financial sustainability of their health systems. Continued NHA activity can aid in the process. The network has provided a forum for cross-country collaboration on issues of financial sustainability; for example, one country may find that another is producing better health outcomes with lower total health expenditure and may use regional events to investigate this further. The success of NHA, however, depends on whether it is ultimately used by policymakers as they shape the future of their nations' health systems and, consequently, the health of their citizens. This process has already begun. With the recent developments towards the institutionalization of NHA, policymakers can learn to incorporate accurate health expenditure estimates into their decision making on health care.

## What does it take to implement NHA?

The key ingredients for a country's success with NHA are political will and the commitment of senior decision makers. Their support provides the impetus for initial adoption of NHA in their country, and their concrete actions, such as allocating personnel and financial resources for the NHA activity, provide for implementation on a sustainable basis. Institutionalization of NHA is ideal; of the 68 countries around the world that have conducted health accounts, approximately one-third do so on a regular, sustained basis.

Also integral to the success of NHA is ongoing communication between policymakers and the NHA team. This interaction is crucial so that the policy tool is used to address specific policy concerns and do subsector analyses. NHA technical teams should represent the entire national health system – they should include members from the private and public sector as well as parastatal organizations. Members should bring skills that allow the team to collect data, define expenditure boundaries, analyze the data, interpret the results for policymakers, and focus the dissemination strategy for NHA results. Staunch support from policymakers is needed to create a legal infrastructure that allows the NHA team to collect data from various entities on an annual basis, to integrate NHA into the country's System of National Accounts and produce NHA as part of the annual national accounts, and, ultimately, to consistently use the data NHA produces to implement meaningful and effective reforms in the health system. Over the years, NHA data will also allow for trend analyses and monitoring of the impact of various interventions.

So that NHA can be relied upon for good national policy decisions, countries that use the methodology must ensure that the data fed into it are as complete, accurate, and consistent as possible. To make cross-country comparisons, data must also conform to international standards and definitions. This implies financial transparency among agencies, both public and private, and investment in the development of data tracking and reporting systems, accounting systems, and associated activities, such as household surveys. A broad range of policymakers must be made more aware of NHA findings and especially their relevance to policy formulation. Only as NHA can prove its usefulness will it continue to gain adherents.



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The PHRplus Project is funded by the U.S. Agency for International Development under contract no. HRN-C-00-00-00019-00

and implemented by Abt Associates Inc. and partners:  
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June 2003