Public Hospital and New Financial Reform in IRAN’s Medical Universities

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Total population (2015): **79,109,000**

Life expectancy at birth m/f (years, 2015): **74/77**

GDP: **6555 USD**

Gross national income per capita (PPP(2.98) international $, 2015): **17400**

Total expenditure on health per capita (PPP Intl $, 2015): **1598 USD**

Total expenditure on health as % of GDP (2015): **8.6**

* Source: World Bank
<table>
<thead>
<tr>
<th>Health care delivery and financing</th>
<th>100% Governmental financing</th>
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</thead>
<tbody>
<tr>
<td>Primary health care (Public sector)</td>
<td>Public healthcare providers: (Public tariffs)</td>
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<tr>
<td></td>
<td>✓ Inpatient services: 90% health insurance + 10% Co payment</td>
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<tr>
<td></td>
<td>✓ Out patient services: 70% HI + 30% Co-payment</td>
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<tr>
<td>Secondary and tertiary care (public and private sector)</td>
<td>Private healthcare providers:</td>
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<tr>
<td></td>
<td>(Private tariffs = public tariffs + %profit+ depreciation)</td>
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<td>✓ Drug And Medical Instruments: 61% Covered By People (Reference: NHA)</td>
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</tbody>
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Health Cost coverage
MOH Hospitals Public Resources

MOF direct centralized budget

Central distributing budget

University of medical science

Hospital public revenue

Hospital expenditure based on public revenue

Salary

Other*

Maintenance and repairs

OOP reduction based on HTP*

* HTP budget is included in hospital special revenue category and we assume that
MOH Hospitals special (performance based) Resources

Operational revenue (90%)

- Health insurance (77%)
- MOH / HTP (15%)
- Copayment (8%)

MOF / Public treasury bank account*

UMS → Hospital

Services purchasing contracts

- Physician FFS
- Reconstruction
- Reward and bonuses
- Other employees FFS

Hospital expenditure based on special revenue

*It’s a matter of governmental financial control all money transferred to medical University maximum in one week.

Source: Aboulhallaje, M et al. center of budgeting and performance monitoring. MOHME. 2015
Share of service provider expenditure as % of the THE (2014)

- **HOSPITAL** (41%)
- Provider of ambulatory healthcare (30%)
- Retail sale and other providers of medical goods (17%)
- Provision and administration of public health programmes (2%)
- Other providers (4%)
- Institutions providing health-related services (4%)
Share of public service provider expenditure as % of total public health expenditure (2014)

- HOSPITAL (58%)
- Provider of ambulatory healthcare (18%)
- Retail sale and other providers of medical goods (8%)
- Provision and administration of public health programmes (4%)
- Other providers (2%)
- Institutions providing health-related services (10%)
Distribution of Public hospital Expenditure (2015)

Personnel Cost 66%

Medicine & Products & Supplies 17%
Services 11%
Overhead 1%
Other 5%
New Public Management

A) Design the New financial system

A) revised financial regulations and trading

B) Establishment the comprehensive, integrated and timely system
(Online financial)
New Financial Reform Steps

- **First step:** changing cash accounting to accrual accounting
- **Second step:** establishment of cost System
- **Third step:** Performance based budgeting
- **Step Four:** managing expense and efficiency, analysis of the results and ...
First step: changing cash accounting to accrual accounting

Main challenge: lack of Financial Transparency, weakness in use of financial information

- Balance Sheet, Lose and Profit Statement, Cash Fellow

Required instruction

- Standards auditing
- Standards financial statements

1- Modify current rules and instructions

Transparency negotiation with MOF and health insurance
First step: changing cash accounting to accrual accounting (continue)

Main Challenge: Lack of sufficient financial capability in human resource and financial human resource resistance to change

2- change in financial staff

To change Organizational Culture

Modify financial HR arrangement

Financial staff training (15,000 personnel)
First step: changing cash accounting to accrual accounting (continue)

- Improving financial evidence base decision making
- Advocacy with Audit court and MOF

3- Changing cash accounting to accrual account

Interaction with Supreme Audit Court

Design and install Accrual accounting software

Interaction with MOF
Second step: establishment of cost System

- Identifying And Definition of Cost Center in Health System as well as Public Hospital.
- Coding the Cost Centers
- Preparation for DRG Installation
Third step: Performance based budgeting (the appropriate tool for efficient planning and controlling)

Step Four: managing expense and efficiency, analysis of the results and ...

That Was our Main Goal

Main Challenge: Public hospital manager capability to used financial information as evidence
The Impact of HTP reform on Three Dimensions of UHC

**Economics**
- Reduce cost-sharing and fees

**Politics**
- Extend to non-covered

**Health**
- Include other services

- Around 60 million dollars
- 11 million uninsured people was insured
- OOP was decreased from 53% to 38%

WHO report 2010
the Impact of public hospital Financing regarding HTP:

Iran HTP has a great influence on public hospital financing by

- Expanding Population Coverage
- Improving Service Coverage
- Enhancing Financial Protection, limiting Out-of-pocket And Reducing Catastrophic Expenditure