An Overview on Iran Health Care Financing System: Challenges and Solutions

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Abstract
According to the principle 29 the Constitution of Islamic Republic of Iran, receiving social security and health care is a public right, and its preparation from public revenues and resources resulting from all of the citizen’s participations has been undertaken by the government. This analytic-descriptive research tries to evaluate the current status of the financial system in health care area. Identify the weaknesses, determine the indicators of an efficient financial system, and provide solutions to improve the efficiency of health care. Hence, we have used the comparative study of health systems in some countries.

The results of the current research show that in spite of the fact that the budget allocated to the health system does not conform to the international standards, the main problem is not the budget shortage, but is the ways to allocate and manage the budget. First part of studies says how to increase funds, and second part is about the optimal allocation of these resources and how to budget efficiently according to the world’s most successful system approaches.

Although some mechanisms such as taxes are highly desirable for providing the resources of health system, it isn’t so possible in Iran, because of the necessity of some extensive evolutions in taxation system, and the difficulties of doing so, or at least the necessity of passing a long time process besides providing infrastructures. This way, the other ways of gathering funds are reachable simpler. It seems necessary to apply new policies regarding the structure and management of financial resources in order to decrease paying directly from pockets.

Keywords: Health Care, Financing System, Budgeting, Efficiency.

Introduction
Since receiving social security and health care is a public right according to principle 29 of the constitution of Islamic Republic of Iran, and its preparation from public revenues and resources resulting from all of the citizen’s participations has been undertaken by the government, it is important to study the ways to supply financial resources in this area, and the ways the government acts about it is obvious that health is a basic right for all of the society; so in all of the countries health is the most basic right for all of the people. Supplying an acceptable level of health in the society is the main prerequisite for the sustainable social-economic development. In addition, regardless of the political system governing any country, the most effective role of the government in providing health care expenses prevents the poverties resulting from incurring Health care costs (1).

According to the above mentioned points, one of basic purposes the governments is to improve the level of the welfare services for the people. The issue of welfare services in the modern world is one of the main priorities of the governments – whether political or services. The governers in this way try to reduce the social problems in six important domains that is health, social security, social services, public education, employment and settlement.

So most of the countries codify their financial system in order to protect the people about health expenses (2) According to the world health organization patterns, and efficient health system must do four activities, one of which is to supply financing for the health care. One of the factors indicating fair access of the individuals to the health care is the type of financial support of this system, because the type of support affects the amount of participation of the people and the government.

We can say that the government policies about financing in the health domain affect four key factors: pre-pay amount, the degree of risk distribution, the amount of subsidy for the poor people, and strategic purchasing (3).

The purpose of this research is to evaluate the current status of the financing system in Iran’s health domain, and suggesting approaches to improve and upgrade the efficiency of the health care.

This way, we have used comparative study of the system of the other countries; this research tries to identify the current system’s weaknesses, specifying the indicators of an efficient financial system, and suggesting the strategies of a suitable financial system.

Obviously, the present study has been conducted with regard to investigations of other authors in this field. All the
experts in different ways refer to the necessity of public financing in this section.(4-12)

2. Theoretical Bases

The reports of the national commission on the macro – economy and health of the world health organization, which have addressed the relationship between the weak factors of the health system and the harmful economic effects (macro or micro), show the serious effects of the small level of health care on decreasing life expectancy index and economic efficiency (13)

Since the development of the technology and changing the Health care costs, it is almost impossible for a great part of the society to pay the Health care costs, so we must try hard to design society. Another purpose we must seek to supply financial support is the fair participation of the people in health expenses, so we must reach this purpose in order to choose a suitable strategy to supply financial support in this domain. In fact, the modern financial strategies can play a great role in all of the society reaching the public health care and formulating the social and approaching insurance coverage toward the real costs of the people's health (1)

In the modern word, increasing the life expectancy besides increasing the health expenses necessitates seeking solution to supply more resources for the health system, because increasing the expenses cause the reduction of society’s welfare level.

According to the definition of the world health organization (WHO), if family spends more than 40 percent of its earnings for the health expenses, they will have serious problems in supplying the other required things for a suitable life perhaps some of these families call off the treatment or continuing it, which in turn results in reducing the level of health standards and so reducing the development of the society. In the other hand, the effects of this increase in the cost and paying out of pocket, Can reduce money savings and so reduce the Disposable income in some parts of the society, resulting in the decrease of their share of the essential items such as foods or resulting in refusing to pay for the education, which causes the decrease in human capitals, and the economic growth and national product. This will also cease the capital accumulation process which is one of the main tools of the production, growth, and the development of the society.

Besides, one of the results of incurring the severe health expenses is increasing the amount of poor people falling from the level of near the poverty line into the level of the poverty line of the society. In the other words, according to the economists' point of views, these families fall from a temporary status of poverty into poverty trap. So bringing these people out of the poverty needs more time and also needs more social support.

Method

This descriptive study that conducted in year 2014 overviewed the health care financing system in Iran and its challenges and also provides some suggestions to improve Iran health care financing efficiency.

This review article conducted use of the basic database Google scholar websites. Abstract and full text of articles published from 1989 to 2013 with the keywords: Iran Health Care Financing and Budgeting extracted, categorized and analyzed.

Obviously, the articles were focused primarily on the specific strategies- For example; privatization and etc- were utilized only indirectly because the authors wanted to evaluate the health financing system of Iran without prejudging the issue. Thus more general Articles which conducted to this scope had been used as directly references. Then there are no doubts that in getting the conclusion indirectly were considered the papers that analyze the specific strategies

4. Health Care Financing System:

The most important health service financing resources in the world consist of six items, the most important of which are public revenues or the defined taxes and social security insurance. In contrast, private insurance, Community-based resources, the Out of pocket, and foreign aid are less important. In other words, the greatest financial resources for the health care are the public resources, and the countries having better health care, rely less on the Out of pocket and the foreign aid (2).

Financing is one of the vital domains of health system and the policies dominating them. Three vital functions in health financing are: Resource gathering, integrating and management of resources and purchasing services. (1) These three functions of financing are necessary for guaranty and the individual’s access to the services. Technical-organizational arrangements of each of these functions can support the fairest possible kind of the individuals about health financing. These functions are integrated in one organization in most of the countries, but there is an increasing trend toward separating financing and services.(14,15)

5. Financial Structure of Iran’s Health System:

By approving the executive clause of the article 91 of the fourth development program based on the necessity of the development of the public insurance, Iran is actually trying to reach public insurance system (1).

General there are two general approaches in order to reach public service coverage. One way to reach this financing system is using public taxation, which is called Boursig approach.

Another approach is the social health insurance, in which it is necessary to be a member of the insurance system. This approach is called Bimsark approach. According to the approval of some acts such as the necessity of the social security and the mentioned clause, it seems that Iran follows the second approach.

By a general look at the health system of the member countries of the Organization for Economic Cooperation and Development organization we can observe that most of these countries which are among the richest and safest countries of the world, has been achieved universal coverage system in the health care (16). The main state insurance companies in Iran are: social security Insurance, Army forces health care Insurance, health care Insurance, Imam khomeini’s Emdad committee, and micro insurance funds (2).

In Iran paying for the first level of the health care is done according to the annual budget and salaries. In the other level, paying is often done as fee, budget, salary, and the fixed amount (17).

In Iran insurance funds, financing (gathering the revenues) is performed in two ways. The social security insurance is computed proportionally; that is a few percents of
the salaries and wages is injected to the fund. In the other fund such as health care, financing is performed descending. In other words, in these funds the Low and high deciles of the society pay the same insurance premium. As a result, there is a descending trend in the percent of the insurance premium proportionate by the salaries, between the rich people and the poor people. The richer people receive more services by paying the same share of the insurance premium to the health care insurance funds. So, it seems essential to reconsider the current way of insurance financing (18,19).

According to what have been mentioned above we recognize that Iran’s health system has a multiply financial structure for gathering the revenues. In fact it uses different ways including: public budget, social health insurances, and the family’s pocket pays. In addition to the main ways mentioned above, there are some other ways in Iran, and private insurance is one of them. Although the social security insurance covers about 90 percent of the population, but because of the variety of the depth of this coverage according to the type of the service or the insurance company, the main part of the Health care costs in Iran are paid directly from the pockets of the people. (20). Studying the system of 60 countries shows that in the poor countries the number of the families which pay high amounts of money for health care is more than the other countries. (21). It is obvious that pocket pay increases poverty in these families.

The rich countries rely on one of the two ways: public taxation, or Compulsory cooperation in social insurance. In contrast, in the poor countries, they mainly rely on financing by the direct pocket pay by the people (3).

In developed countries, the organizations such as Health Ministry rely on public taxation which is gathered by the economy ministry, and the budgeting is performed by the government (3), but in Iran gathering the revenues is achieved mostly from selling oil, and then budget allocation to health ministry is done by the government’s budgeting process.

Insurance funds are places where the revenues are gathered in order to ensure the patient’s ability to pay for the health expenses. In fact by gathering the revenues, paying the health expenses is provided by all of the members of the funds. In people out of pocket pays, there is no gathering (3). The third function of health financing is purchasing Service. In this process, the gathered revenues are paid to the customers. Purchasing the service is performed in two ways: passive or Strategic.

Passive purchasing means following a pre-determined budget or just paying presented of the bills. Strategic purchasing consists of the continuous search to find the best ways to maximize the health system performance by good decisions, so that which interventions, for whom, and from whom, must be purchased (3). The purchase decision prevents challenging with micro-management and budgeting. In fact some special packages of care the required entries for the care well as different types of representatives must be purchased in order to ensure the suitable service mixtures (3).

It must be noted about budgeting that this branch is an essential domain for the relationship between the purchaser and provider. In fact, this process provides an environment in which the established and existing interests encourage the provider to move toward four purposes. These four purposes are: preventing the problems of the members of the fund, providing services to the members of the fund, answering the individual’s rational expectations, and limiting the expenses. The studies show that no budgeting can reach these four purposes at the same time. For example, linear budgeting is effective in controlling the expenses, but it creates no interest for the other purposes. In contrast, paying according to recognition and capitation, reaches more purposes. In the fixed individual (capitation) paying, some powerful interests to prevent control the expenses are created. It also acts very successfully in answering the rational expectations. In the developing countries, they often use linear budgeting, which is a result of not conforming the services with the needs and the situations that are the serious obstacles for reaching an efficient health system (3).

6. Brief of the Experiences of Different Countries about their Health financing systems in general:

The countries belonging to any group and economic system (capitalism, socialism, or the developed or developing groups) are subordinate to one of the following health systems:

1- Public participation system: In this system, all of the country’s organizations somehow participate in the health-treatment services. In other words, there is no indicative organization in this domain. This system’s revenues are financed by the public taxation resources, and the insurance companies supply their revenues from the taxation or insurance rights. (1).

2- Public insurance system: here insurance is the basis for the health-care system (1).

3- National health system: this system is based on the socialist thinking in which all of the expenses are supplied by the taxation. All of the people are covered by the public insurance, and all of the budgets are committed by the government (1).

In addition to the above mentioned three systems, there is an inter-mediate system in some Countries such as England and Sweden, (1) although the main financial resources in this country in still the taxation system.(22-24)

7. Challenges and Benefits of Iran Current Health Financing System

More of the countries which have the governmental public coverage system in the health sector supply the financial resources from taxation, but unfortunately in Iran which is an average country, most of its revenues are from oil resources, because the economic infrastructures are always supplied by this resource, and taxation has never played any special role. As we know, world’s oil market and its by-products are always fluctuating as a result of different factors, and they aren’t fixed, so health sector budgeting which is highly dependent on the mentioned revenues, becomes inconsistent and changing. This will result in not completing the programs, impossibility of forecasting the whole evolutions and the executive plans. Although according to the regulations, all of the essential services must be covered by the insurance companies, but because of financial weakness of the insurance companies, some of the services are out of the Insurance Coverage, or they are very limited (17).
The variety of insurance funds has been known as the indicators of inconsistency in organizing the situation. Sometimes, the great number of the funds causes a great part of the society and especially the poor people to receive less supports, because the funds related to these people, as a result of les revenues gathered, would provide limited services.

There are nine insurance funds in Iran; each one covers a special part of the society. Since some of these funds are poorer and some of them are richer, this plays a more effective role in reducing the efficient administration and increasing the management expenses. In the other hand, in different funds, there are different situation of risks and salaries, and without forecasting the reparative strategies, this can become an interest for the different funds to choose the people with low risks, and delete the poor and patient individuals from their lists. Deconstructions as well as equalizing the resource allocation are some reparative strategies to solve these problems (3).

As noted earlier, some of the Iranian insurance funds use the descending approach for receiving the insurance right, which is a completely unfair approach. In this approach, a fixed amount of money is received from the different from all sectors of society with different salaries as premium; this way, this fixed amount can be 30 percent of the whole salary of a family, whereas perhaps it is less than 2 of the salary of the other family (25).

The revenue resource for the social security organization is the capital interest, as well as the premium. In health care insurance company, the premium is funded from the per capita and paid by employee and the employer (government) to the fund (18).

But the financial policies of the insurance excellent council is performed in the different organizations, without paying attention to the premium calculation, so some times it isn’t suitable and useful for some organizations. In the other hand, the wrong policies and paying no attention to the structure of each insurance company can finally result in increasing the people’s pocket pay (17).

According to this fact that the real properties aren’t registered under the name of the owners in the notary and property organization of state in Iran, and we can know the owner’s name according to the registration number of the state, so there is no site containing the whole properties of the individuals. Thus, the only source relating to the salaries is the individuals themselves. As a result, we cannot give subsidy only to the poor people and increase the financial supply share of the government for these people. The world’s health systems try to distribute the risks by combining the different organizational and technical approaches, and to give subsidy to the poor people (26).

There is no suitable indicator for allocating the health budget to the different strata. In some cases in Iran some indicators such as geography (city and village) have been used, which are not correct and efficient ways to define the poor groups, and wastes the resources of this sector (27).

In the other hand, the government pays directly to the hospitals in Iran, which raises two problems: First, ambiguity of the financial ways; second, the unreality of the tariffs in the government sector. Also, direct pay decreases the government pay for the health domain, because by unreal decrease of the tariffs amount of per capita and as a result of it the government obligations will reduce. In fact, by this action the government will pay only to the part of the society that refers to these hospitals or centers, not all of the insured and not the public (17).

One of the other problems of budget allocation is that each year the amount of budget allocation in the per capita approach changes, so the revenues of the organizations using this approach is not predictable (17). Also the government sometimes pays some amounts of money for supporting the poor or special kinds of the individuals, and registers this pays from the country budget, as the health sector budgets. The obvious example for this is the budget allocated to Imam Khomeini helping committee. This committee has a supportive charitable organization, but the government defines its commitments to this sector as a subordinate to the health financing (17).

Lake of Insurance payments by different insurances to the Health Care centers leads to receiving different amount of money from different insurance companies for a similar service, and sometimes the health centers don’t accept the insurances because of these differences in the amount of the premiums. This ultimately increases the direct pocket pay (17).

In the other hand, since defining the tariffs is performed according to the amount of the premiums, this causes unreality of the insurance tariffs so; they increase the people’s pocket pay in order to compensate the gap between the real and unreal insurance tariffs in the society (17).

Since the health care fees and the health care premiums for the covered groups aren’t defined with real costs, this will cause most of the poor people to lose more because of their inability to pay for the health expenses. In addition, the unreal tariffs themselves scofflaw the 8th and 9th article of Public Health care Insurance Act (18).

According to what mentioned above, the paying system to the health centers in Iran isn’t efficient, and these centers by using this paying approach, somehow encourage more services or sometimes unnecessary services (17).

From the perspective of management, fee structure, is a costly system, because they need a lot of supervising personnel in order to supervise the paying’s. Although we perform this costly supervision, we do not anticipate a suitable executive guarantee for it. It means that if the supervisor says that there is a possible wrong report or an unnecessary health care, it is the insurance payer (the individual) who compensates for it. But in an efficient system, it is the health center which must compensate its wrongdoings (receiving expenses).

One of the other problems which administratively waste the health sector resources is the lack of the control on the treatment quality. In fact in Iran’s health system, instead of supervising the service processes we supervise the paying amounts. These are not the only management problems of the health system in Iran. There is no expert control on importing, using, or the number of the materials needed for the new technologies, so these resources are spent to buy and apply the new technologies at any amount and from which the health center of the doctors want (17).

According to the legal proceedings and our country’s macro policies about health, it seems that the main problem is about applying the acts and the policies, which shows the management and administrative inefficiency of the government. In the other hand, since the macro-policies are made based on the current information of our
country, we lack the comprehensive and correct information. These wrong data derive from the wrong people’s information given because of the lack of trust on the government, and also because of lacking the proper management about gathering the information (17).

A management change is one of the factors of wasting the financial resources (in general) and specially the health care sector in Iran. The health care managers are changing very fast, and as a result of these management changes, the policies and the programs are also changing vastly (17). In the other hand, we don’t expect that the managers alone make a suitable decision and have a proper reaction against the market changes and needs. In addition to the proper managing performances, providing the more flexible executive and legal grounds for the manager is essential for a good decision (3).

Before say the conclusion it is important noted that the first level of the health cares is public goods, so the private sector has no desire to interfere, and the government must completely supply the budgets. For the second level, there is enough encouragement for the private sector to interfere, but if a government wants to assign the health cares to the private sector, it must have a very high supervision power. It’s clear that the private sector must also have sufficient and essential requirements and capabilities. Finally in the third level, according to the health care and researching high expenses the private sector has no desire to enter. In the other hand, because of the importance of this sector in the establishment of the health security of the society, the government is obliged to supply this sector’s budgets completely (28,29)

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<th>Weaknesses of health system of IRAN</th>
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<td>Funds such as health care, financing are performed descending. As a result, there is a descending trend in the percent of the premium proportionate by the salaries, between the rich people and the poor people. Because of the variety of the depth of social security insurance coverage according to the type of the service or the insurance company, the main parts of the Health care costs in Iran are paid directly from the pockets of the people. Gathering the revenues is achieved mostly from selling oil, and then budget allocation to health ministry and taxation has never played any special role. Some of the services are out of the insurance domain, or they are very limited variety of insurance funds. The wrong policies and paying no attention to the structure of each insurance company. There is no suitable indicator for allocating the health budget to the different strata. The government pays directly to the hospitals. Pays some amounts of money for supporting the poor or special kinds of the individuals as the health sector budgets. Receiving different amount of money from different insurance companies for a similar service. Unreality of the insurance tariffs. Not anticipate a suitable executive sanction for wrong. The paying system is a costly system. The lack of the control on the treatment quality.</td>
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**Results**

Iran health system needs a serious renaissance in the three aspects (financing, allocation and management). In order to provide the purposes written in the 29th principle of the constitution of Iran, it must be one of the functional preferences of the government to try to increase the cooperation’s in the social security insurance, to supply the public insurance coverage. Although the strategies such as taxation for supplying the health financial resources are very desirable, but it isn’t so easily possible because of the necessity of some huge changes in the taxation system of the country, or at least it needs a long process while providing the required infrastructures. One of the ways of utilizing taxation in the health financing can be gathering a part of the revenues of the industries which their activities directly or indirectly have a negative effect on the society’s health, and setting it to the health budget as the taxation.

The integration of insurance funds will decrease the direct pocket pay. Another benefit for integration the funds, is unifying the ways of receiving the premium. As we noted during studying the fund financing, in the ascending approach, opposite of the descending approach, when the salary of an individual increases, his share in the health financing will increase. So this weakness is the financial system will be resolved. In addition, the greater funds and gatherings will have benefits such as utilizing the increasing output compared to their criterion, decreasing the amount of uncertain needed financial cooperation, ensuring the availability of enough amount of money to pay for the services, the great number rule, and the cross over subsidy. Also, the funds integration will resolve the organizational expense problems.

**Conclusion**

Regarding the insurance funds it seems necessary to apply two new policies about their structure and management. In the management perspective, the different funds face problems such as insufficiency of the resource allocation, the lack of integration between resources, and increasing risks. In the other hand, the fund integration, and the employees membership ability without any limitation, increases the society’s cooperation in the funds, and financial resources. Another strategy which we must take into account is commercializing the funds.

The budgeting approach plays an important role in the efficiency of the health system. The linear budgeting has the least efficiency in the health system, while the capitation pay is one of the best paying strategies. In order to optimize allocating the budgets, one strategy can be decentralization in the presentation level and purchasing the health cares. Codifying the comprehensive
information bank regarding the properties and the descriptive characteristics such as the insurance type, the illness histories for avoiding wasting the resources, and also the suitable budget allocation is necessary.

If the insurance organization pays are based on the demands and combined with smaller contracts and involvement of the service providers in order to distribute the risks in its strategies, the efficiency of the organizations will increase.

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