

# What is the state budget, and what is the private cost of health for children?

unicef   
for every child

FINANCE  THINK  
OUT OF THE BOX

## Policy Brief No. 31

**This Policy Brief recommends that the Government increase public health expenditure for children through policies and measures aimed at reducing private health expenditure for children, which are currently higher than the rest of the population.**

### Background

In 2017, the Government spent 65 million euros for children for health. Compared to 2010, the amount spent for children increased by 31.7%. But in the same period, the nominal growth of the economy was 41.7%, which means that the growth of spending on children did not follow the pace of economic growth. Hence, child expenditures in 2010 amounted to 0.68% of GDP, and in 2017, that share declined to 0.63%. At the same time, some child-related health indicators are worsening. The number of pediatricians in the past five years notes a serious decline, from 9.54 pediatricians per 10,000 children

in 2011, to 8.04 pediatricians per 10,000 children in 2016. The average immunization rate for children has decreased from 94.2% in 2010 to 90.7% in 2017, with most notable decline in MMR coverage of 82.6%, with "pockets" of 65.8% coverage - Veles and Kavadarci and most of unvaccinated children 41.2% in Skopje. Infant and child mortality and mortality under five years of age have increased and have a rate of 12 and 13.7/1000 live births, respectively, in 2017, compared with 9.2 and 10.4 in 2010. These negative trends show the need for an analysis to better understand spending on health care for children in the country and to find ways to counter them.

### Objective of the budget brief

The purpose of the analysis is to make an overview of health-related spending on children and their health. Namely, for the first time, an analysis is made of the amount of public health expenditures that refers to children in the country, what has been going on over the years, that is, the level of priority that children's healthcare has in the system. Also, for the first time, it is calculated how much of the private payments are in fact out-of-pocket payments for the children's population.

### Key messages and recommendations

- In 2017, the Government spent 65 million euros for children for health. Compared to 2010, the amount spent for children increased by 31.7%. But in the same period, the nominal growth of the economy was 41.7%, which means that the increase in the spending on children did not follow the pace of economic growth. It is therefore recommended to increase the percentage of public expenditure for children, compared to the

rest of the population, because of the significance of a healthy child population in the general development of society

- Simulation of the private funds that the population allocates for the health care of children, based on the assumptions, shows higher exposure of households with children to financial risk when using health care. The amount of out-of-pocket payments for children is nearly 20% higher than the average for the general population.

### Organization of the sector

The health system in the country, from a financial aspect and access to the system, is based on compulsory health insurance. The established system throughout the years has gradually striven to achieve universal health coverage, enabling most of the population to be covered by health insurance, taking care of the financial protection when using the services of the health care system. Most of the public expenditures in the system come from the Health Insurance Fund, whose main source of funding is health insurance contributions

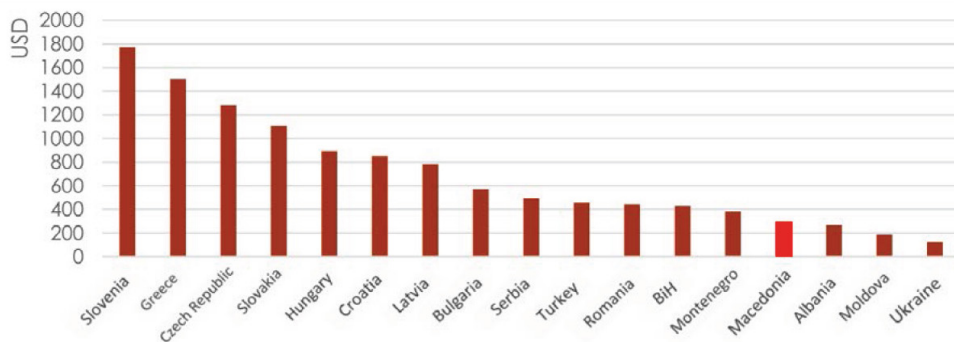
from employees. Part of the public health care expenditures are allocated from the Central Budget, through the Ministry of Health, which finances health care at the population level through preventive and curative programs. In addition to public health expenditures, the private funds that the population pays for the use of health services represent a major share in the structure of health costs. Although almost the entire population is covered by health insurance, there is still a small part of the population, including children (mainly without personal documents), belonging to a group of vulnerable categories who because of this wider social problem do not have access to health insurance, which also limits access to health care for these children.

### Financing of the healthcare sector

According to the health care data, the country ranks among countries with the most modest allocations for health in the region, with 6.1% of GDP, or \$ 295 per capita.

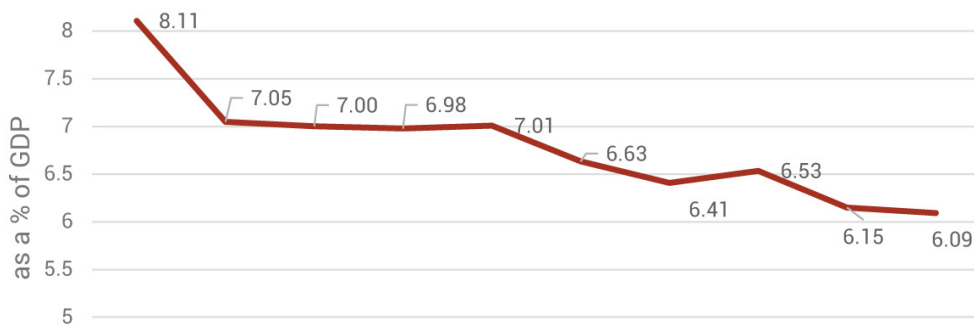


Chart no. 1 Total health expenditure per capita for 2015 (in dollars)



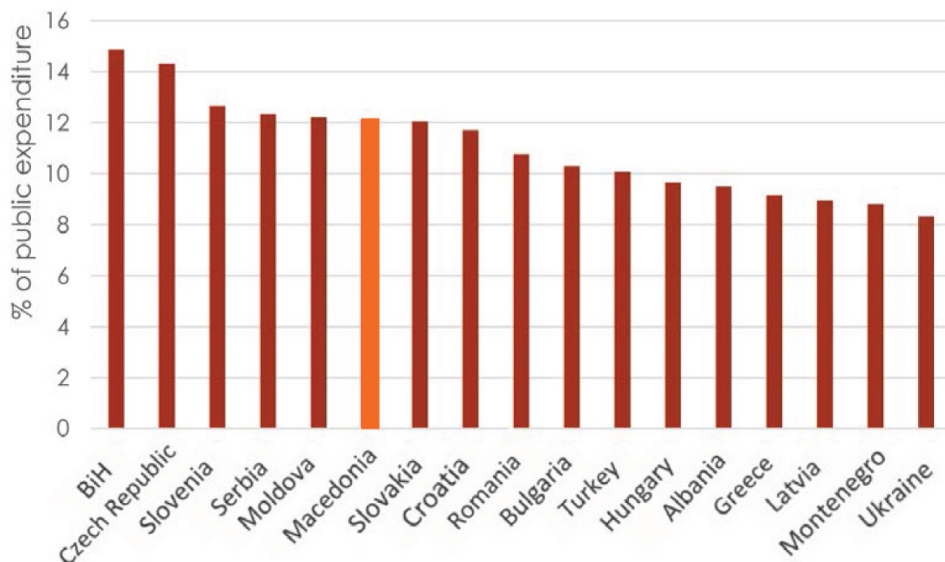
Analysis of the trend in the total health spending in relation to GDP, shows that it is continuously declining.

Chart no. 2 Total health expenditure as% of GDP, 2006-2015



From the aspect of health as a sectoral priority in creating and implementing the state budget (public spending), compared to other countries, is in the middle of the scale.

Chart no. 3 Health as% of public spending in 2015

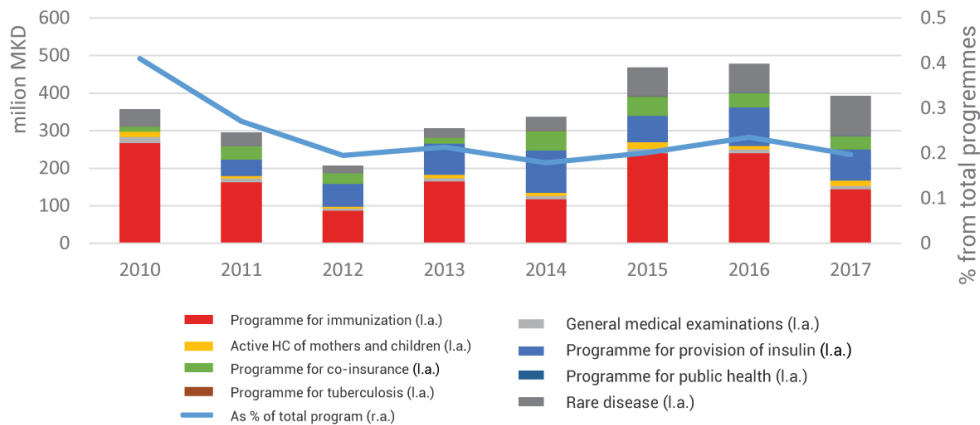


In absolute values, the budget of the Ministry of Health is growing. However, in terms of sectoral priorities, no change is seen in the analyzed time interval, only 3% of budget expenditures are allocated for health policies, compared to 36% in social protection, 12% in education or 7% in public order and peace.

Spending trends

The funds allocated for health care for children, allocated through the Ministry of Health and the Health Insurance Fund, are in absolute value and in 2017 they reach 4 billion denars or 65 million euros. But this trend of growth is not noticeable in the participation of the funds for child health care in relation to the total budget of these institutions (MoH and HIF). Namely, in 2012, children's health care participated with 14.7% in the total budgets of the health authorities, and in 2017 the share was reduced to 13.2% in relation to the increased budget of these institutions. Almost half of the funds allocated for children's programs are intended for the immunization program and starting from 2011 and the program for the purchase of insulin. At the same time, from the Health Insurance Fund, the funds for children are covering all health services from the basic package of health services

Chart no. 4 Structure of children's programs, 2010-2017



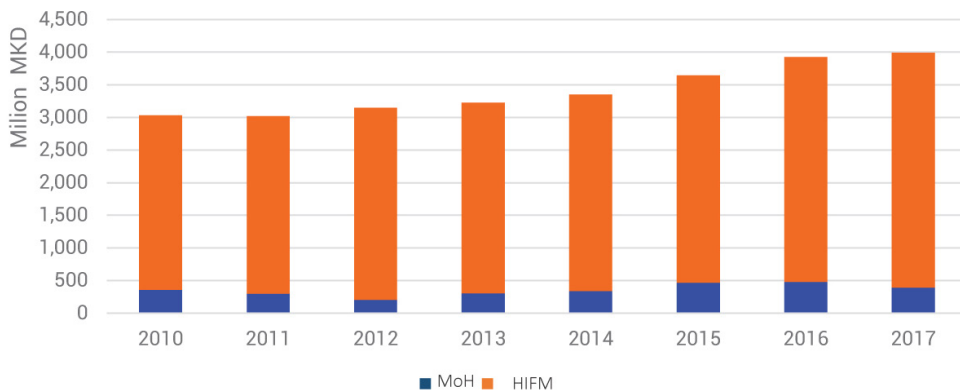
Composition of spending

In 2017, a child was allocated on average 9596 denars, out of which 943 denars were allocated through the programs of the Ministry of Health and 8653 denars through the Health Insurance Fund. The expenditure per child for the programs of the Ministry of Health varies from year to year, while in the last

cost of health for adults, 5860 denars.

Consequently, 55% of health expenditure per child is from public funds and 45% from private. Such a proportion deviates from the structure for the general population in the country, which is 67% and 33% in favor of public funds. This level for the general population

Chart 5 Public expenditures per child for health care 2010-2017



years the funds of the HIF have an upward trend.

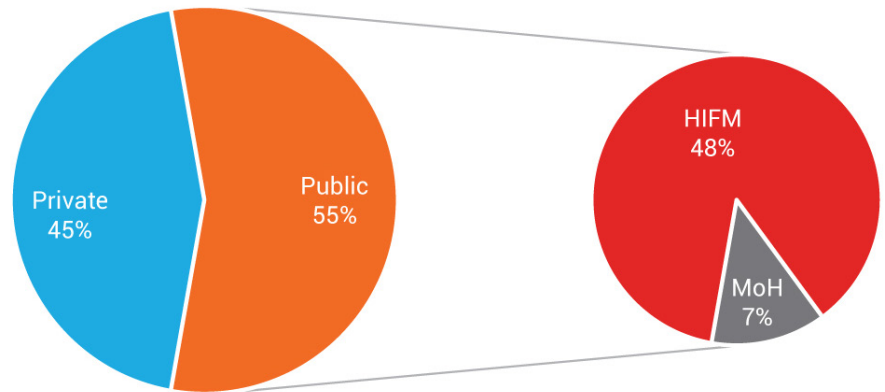
However, the cost per child made out-of-pocket is close to the cost incurred by the state. On average, per child caregivers spend nearly 7,000 denars per year for health care from private payments, and this cost is higher than the average out-of-pocket

is quite high in relation to the "standard" of WHO for countries in a safe zone for financial protection of 0-30%, which further indicates the severity of this result in children. Also, the level of catastrophic health expenditures within the households with children has higher incidence compared to the general population by 37%.





Chart no. 6 Structure of health expenditure per child

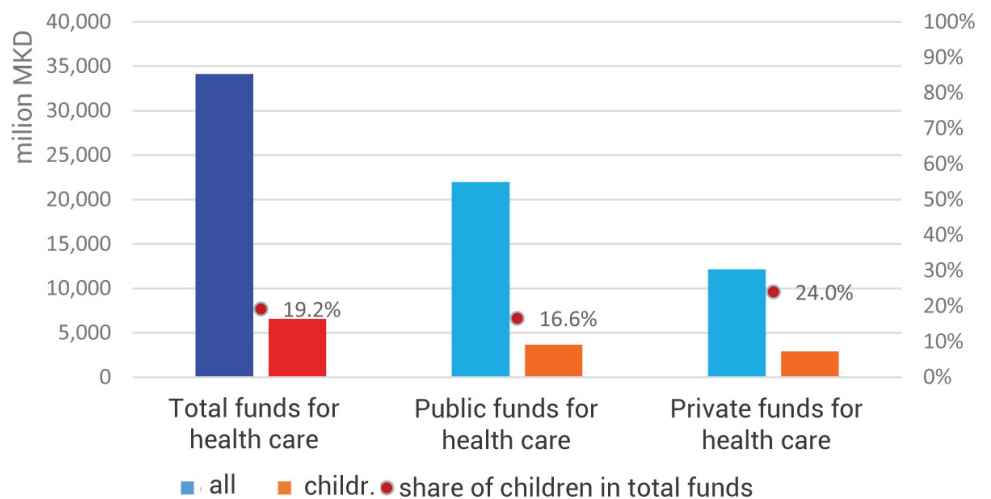


The total funds allocated for the health care of children, from all sources, amount to 6.5 billion denars in 2015, which represents 19% of the total funds allocated in the country for the health care system. Of these, public expenditures are 3.6 billion denars, which means that public expenditures for children's health care participate in total public health expenditures with 17%. On the other hand, the private funds for children's health care amounting to 2.9 billion denars, i.e., participate in the total private funds with as much as 24%.

**Budget credibility and execution**

In the analyzed period there is deviation in the public funds planned in the budgets of the health authorities (MoH and HIF) and the realization of the funds at the end of the year. Such deviations represent a limiting factor in ensuring the appropriate level of quality of health care for both general populations and children. Although public health expenditures on health for children has seen steady growth throughout the analyzed period, expenditures from the programs

Chart no. 7 Health expenditure for children in terms of the total healthcare cost for 2015



Source: Calculations of authors based on data from the Final Accounts of the Budget, HIF, My Term, WHO

of the Ministry of Health have significantly varied from year to year. This variation in addition to the allocated budget realization (on average 85% of the planned) is also noted in the budget planning from year to year.

**Recommendations**

In the health care system as in the other sectors, the funds depend on the movement of the economy and the level of public funds in the state budget. But, the health system has special significance

in maintaining the health of the population, particularly children. Hence, it is necessary that policy makers and the Ministry of Finance, provide stable and growing investments in the health system and financing of health needs.

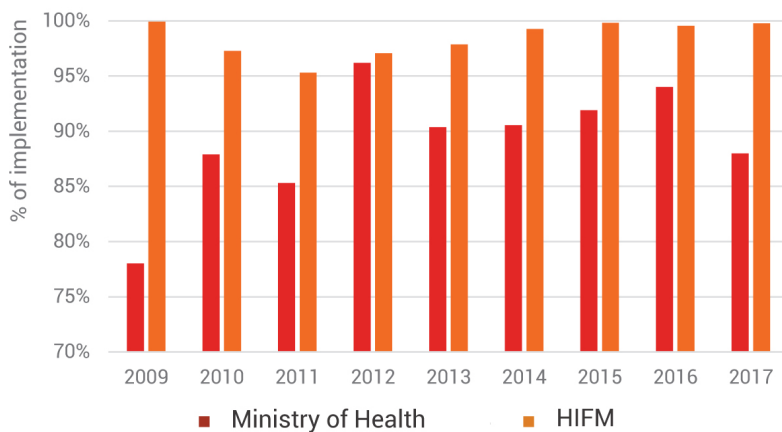
Please note that the data contained in the reports for realization of the programs of the Ministry of Health is limited and give little information about the realized activities, the quality of activities and measures stated in the programs, but also the

achieved results. Hence, it is recommended to increase the transparency of the Ministry in the manner of using the budget funds it uses for health care of the population.

Even so, based on the data available and the simulations that were run for this report, we recommend to:

1. Raise the national priority of children's health care through realistic definition of all programs of the Ministry of Health in the central Government budget, and ensure their full 100% execution (realization) by the Public Health Institutions and 100% payments by the Ministry of Health.
2. Increase the percentage of public expenditure for children, compared to the general population, having in mind the significance of a healthy child population

**Chart no. 8 Percentage of realization of the budgets of the Ministry of Health and HIFM, 2009-2017**



Source: Budgets and final accounts of the Budget





in all aspects of societal development.

3. Perform regular and thorough analysis of the reasons why households with children pay more out-of-pocket for health services and define measures to address potential causes. The high private health costs that households with children have and the greater incidence of catastrophic health costs are a serious barrier to access to health care and reflect the low level of financial protection that the system provides for children in the use of health services.

4. Define measures for facilitating access to medicines. The analysis suggests that a significant part of the private health care costs of households with children is due to medicines purchased

privately. Therefore, it is recommended that access is restored to the positive list of drugs with priority child remedies and a revision is considered of the quota system that limits access to drugs in pharmacies.

5. Provide all children with health insurance. Although almost the entire population is covered by health insurance, there is still a small part of the population, including children (mainly without personal documents), belonging to a group of vulnerable categories who because of this wider social problem do not have access to health insurance, which also limits access to health care for these children. Therefore, it is necessary to establish mechanisms for registering children without health insurance.



**Finance Think** is an independent and non-for-profit economic research and policy institute

**Our Vision**

To steer economic thinking for increased wellbeing tomorrow.

**Our Mission**

To enhance the impact of economic and social trends and policies on citizens in Macedonia and the Western Balkans, through economic research, evidence-based and data-driven advocacy, and steering critical debate on economic processes.

The research of Finance Think helps policymakers, policy advocates, opinion makers, journalists, and the public understand the issues affecting ordinary citizens.

St. Frederik Shopen 1/2  
1000 Skopje  
Macedonia

[www.financethink.mk](http://www.financethink.mk)

+389 2 6156 168

[info@financethink.mk](mailto:info@financethink.mk)

[www.financethink.mk](http://www.financethink.mk)

[info@financethink.mk](mailto:info@financethink.mk)