

## ECONOMIC DEBATE ON FINANCING MODEL OF THE NATIONAL HEALTH SYSTEM

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### ABSTRACT

#### KEYWORDS

Finance, national health systems, macroeconomics

The topic of health-care financing is becoming increasingly important, particularly in light of the Covid-19 pandemic. In this study, we examine the pattern of funding for the national health system from the standpoint of economic thought, as well as the role of government in the context of macroeconomic analysis of social welfare. Conceptual Analysis is the method employed. The data used is based on related theory. This study discovered that health issues are social welfare issues as one of the macroeconomic goals. The macroeconomic debate employs an interdisciplinary framework in which the determinants include external shocks and policy levers, while the pure or theoretical ones are descriptive and applied, resulting in outputs such as prices, growth, output, and international balances. In theory, government involvement in the economy can be divided into two extremes: the classical view and the Keynesian view. The problem of wage and price flexibility, self-adjustment, and government intervention is the result of these two views, though there is a middle view; Schumpeter. The health system can be funded in three ways: entirely by the government, partially by the government, and entirely by the private sector or the public. Furthermore, the cost of health insurance is influenced by the economy, competition, rules, company goals, market structure, government intervention, and a variety of other factors. In the future, studies must be conducted using big data.

### INTRODUCTION

The Covid-19 pandemic has highlighted the importance of funding the national health system to ensure citizens' constitutional and human rights-based rights (Cohen and Flood, 2022., Rascao, 2022., Carvalho, 2022., Fasseeh et al, 2022., Hartman, 2022., Gilardino, R. E., Valanzasca, P., & Rifkin, S. B, 2022). This phenomenon is almost evenly distributed worldwide; for example, in Canada Shaw, E., Mayer, M., Ekwaru, P., McMullen, S., Graves, E., Wu, J. W.,... & Mestre, T. A. (2022), Singapore (Cohen, D., & Flood, C. (2022), Japan (Ikeda, T., Igarashi, A., Odani, S., Murakami, M. (2022). This includes the United States (Hartman, M., Martin, A. B., Washington, B., Catlin, 2022). Africa (Afolabi, A., & Ilesanmi, O. (2022) or, more specifically, South and Eastern Africa (Chitah, B. M. (2022). This pandemic has continued to spread, prompting experts to seek the best formulation based on the region and atmosphere, as well as the capabilities and circumstances of each country. The consequences affect not only health but also cross-cutting economics, state policy, and health economics, as well as foreign law and policy (Bosa, I., Castelli, A., Castelli, M., Ciani, O., Compagni, A., Galizzi, Vainieri, M.) (2022).

The Covid-19 pandemic occurred approximately ten years after the 2008 global economic crisis, which was caused by a variety of factors (the financial sector). This economic shock presents a challenge to state administrators and policymakers in the field of health financing because it reduces state revenues while also increasing the financial

burden or government spending to finance health services as part of public financing (Thomson, S., Garca-Ramrez, J. A., Akkazieva, B., Habicht, T., Cylus, J., & Evetovits, T 2022).

The financing of health services in a country includes all aspects such as their nature; formal, informal, and non-formal, from the perspective of the area; urban or rural, from the beneficiary segment; low, middle, and high income people, in terms of services whether at the first, middle, or plenary levels, in terms of disease whether all diseases or only some, in terms of treatment; is it a generic drug or a patent drug as well, from the teenage medical perspective; whether gene therapy is available; All of these are part of a national health system.

Meanwhile, alternative sources of funds for paying or financing the health system include health taxes, health social insurance, voluntary and private insurance, out-of-pocket or direct personal financing, and donations. Each source of funds used to finance the health system will have many impacts, in fact almost all aspects from upstream to downstream; from disease type to equipment used, services provided, staff serving, time allowed, and finally quality received.

Whatever decisions policymakers make in a country, they must still focus on meeting citizens' health needs as part of public services and on citizens' constitutional rights. As a result, it is critical to consider the sustainability of health-care financing options.

A country's macroeconomic development targets for social welfare include the sustainability and continuity of good health services. Quality health care at an affordable price is what constitutes good health care. This is where the government or policymakers play an important role in determining the pattern of financing in accordance with the situation, conditions, and circumstances, as well as the State's financial capacity.

## METHOD RESEARCH

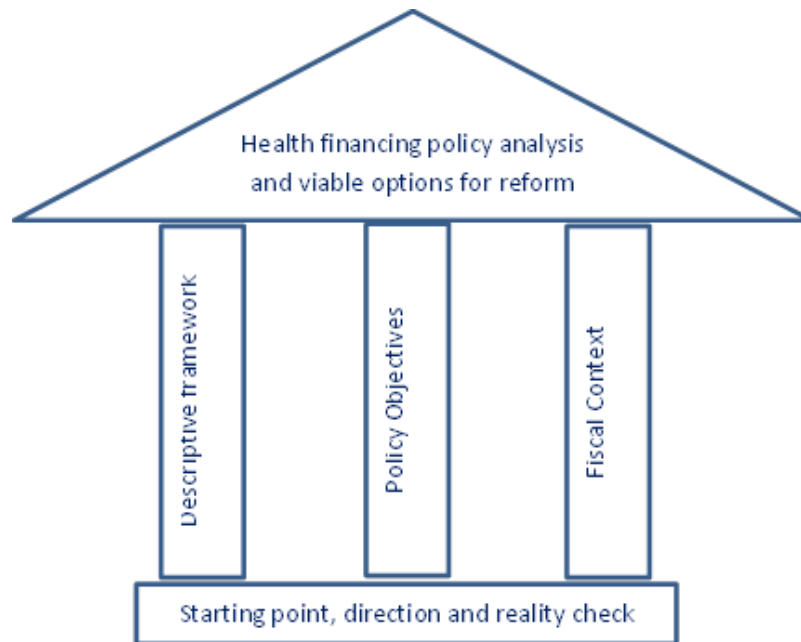
This study employs a non-interactive qualitative approach with data in the form of concepts or theories. Concepts, terminology, variables, constructs, definitions, assertions, hypotheses, and theories are all examined. This conceptual analysis challenges terminology, deepens understanding of a concept, and then compares it to prior knowledge. This method seeks to clarify any ambiguity in the concept or theory and then adjust the operational definition to reflect the theory.

This concept analysis method has four strategies for conducting an analysis. The first is generic analysis. This method is used to determine the basic or essential meaning of a concept and then compare it to other concepts to determine their differences. The final product is a clear concept with a definition and supporting arguments. The second step is differential analysis. This method is used to distinguish the fundamental meaning of a concept by presenting a concept that is thought to be more logical, clearer, and clearer. If the first approach is deemed insufficient, this approach is used. The third step is conditional analysis. Is an examination of the various conditions required for the implementation of a concept.

This means that if one of these conditions is not met, the concept will not be applicable. The fourth step is to conduct a coherence analysis. This step involves conducting an analysis to determine the relationship between a concept and the nature of humanity as well as prevalent social values.

RESULT AND DISCUSSION

WHO developed the methodology for analyzing national health system financing policies in 2008. Figure 1 illustrates these three pillars.



**Figure 1**  
**WHO's Three Pillars of Health System Financing Policy Analysis**

The foundation of policy in the field of health financing in a country begins with the desired outcome and examines the reality of what is actually happening in the field. There are three pillars in the middle: a description of work procedures, policy objectives, and financial context. At the top or roof is an analysis of the national health system's financing policies, with a variety of variable options and policy reforms to choose from. Furthermore, as shown in Figure 2, the financing of this national health system is linked to other systems in a country:

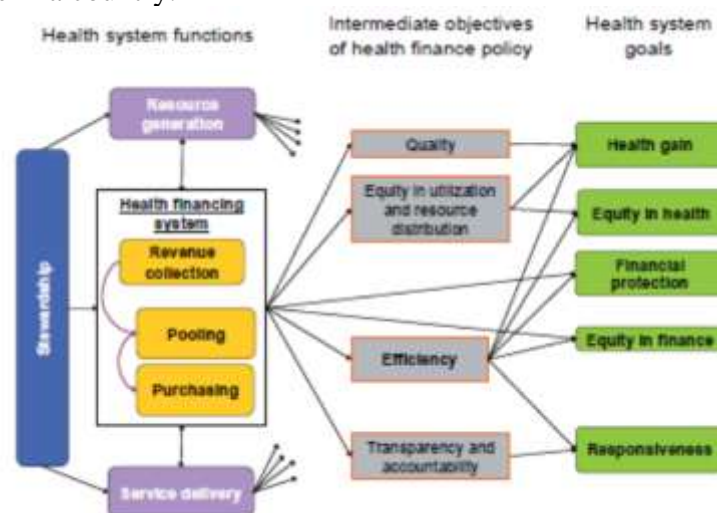


Figure 2 Depicts the integration of national health system financing with other systems.  
Source : WHO, 2008

Health system financing is part of the national health system's function of optimizing upstream resources and providing health services downstream. The financing of the health system is divided into three steps: fundraising, pooling, and allocating funds. The function of the health system is linked to the intermediate objectives of the health financing policy, which include quality, equality in resource utilization and distribution, efficiency, transparency, and accountability. The desired outcome is improved health, equality in health, financial protection, financial equality, and responsibility.

The entire approach and system described above in Figures 1 and 2 is inextricably linked to the economic system's choice of government, which is broadly divided into two polar points, namely capitalism and socialism, with Keynes or New Keynes in the middle. Table 1 describes the economic system selection process:

**Table 1 Shows an analysis of the economic system and Government involvement in the economy**

Aspects	Economics Systems			Remarks
	Capitalism	Keynes/Schumpeter	Socialism	
<b>Background of Differences</b>	History of Nation Establishment	Keynes/Schumpeter Opinion	Choice from Founding Fathers	History, Colonialism Founding Father's Experiments, Common Values, Dealing, ...
<b>Goals of Economics System</b>	Social Welfare	Social Welfare	Social Welfare	Basically Main Purpose of Government is to achieve state/social/people welfare/wealth/wel lbeing
<b>Government's Action in Economics</b>	Minimize	*Balance	Dominant	*Commonly Government plays in basic needs of people of the nation/country
<b>Dominant Player in the market</b>	Private	**Balance	Government	**Government set the rules and keep it run well
<b>Respect to individual Ownership</b>	***Very high	****Available	*****Very limited	***almost to all kind of resources ****recognize *****limited to wages receives from Government
<b>Individual Freedom+</b>	Very high	High	Very low	+Freedom in economics activities (involving in production process, distribution and choice to consume)
<b>Production Factor Ownership</b>	Free	Dominant by private sector	Dominant by government	
<b>Natural Resources Ownership</b>	++Free	Dominant by private sector	+++Dominant by government	++founder;keeper +++mostly own by state/government.

				Even in some case 100% owned by state such as Monarchy System
<b>Fields that Managed by State/Government</b>	Very limited	Limited	Almost all aspect in citizen life	Usually; Religion, Monetary, Justice System, Foreign Affairs, Defend
<b>Objectives of State Owned Company</b>	Providing the Public Services	Managing the Special Economics Activities	Getting profit for development	
<b>Producer's Goals</b>	Maximum Profit	Getting a lot of benefits which not always in term money	Getting the profit and mostly done by state/government	Benefits also in term of public services and social benefits
<b>Consumer's Goals</b>	Maximum Utility	Rasional Utility	^Standard Utility	^standardized by state/government/political power
<b>Price Making</b>	By Market	By market but some time or some commodity by government intervention	By government	
<b>Climate of Competition</b>	Healthy	Minimum regulation from government	All by permission from state/government/political power	
<b>Climate Business</b>	Conducive	There are some regulation	All by rule of state/government/political power	
<b>Quality of Products/Services</b>	Good	Standarized	All by central government planning	
<b>Consumer's Utility</b>	Achievement depend on each individual ability	Achievable with minimum standard	All the same for all citizen	
<b>Achievement Creativity When crisis come</b>	Very developing Government do no intervention	Developing Government gives some stimulation for recovery of economy	Limited Economic recovery lead by government	
<b>Foreign Affairs</b>	Limited role of government	Government plays for specific affairs	Government do the marketing to abroad	

In general, it can be understood that in the Economic System of Capitalism or Liberalism, the private sector plays a dominant role in the economy, whereas in the Economic System of Socialism or Communism, the government plays a dominant role in almost all aspects of a country's economy, whereas in the Keynesian or Schumpeterian Economic System, the government plays a role in certain fields.

Experts continue to debate the size of the government's role in the economy, and this debate moves with the times and different situations and conditions.

Similarly, policies concerning the government's role in managing the national health system, including in In terms of funding the national health-care system. It is still

debated which is more dominant, whether the government is dominant, the private sector is strong, or a mix, and how much the government should play a role in the mix.

Debates and differences in policies regarding the financing of the national health system are also related to a country's economic system, as shown in Table 2 below.

**Table 2 Policies for National Health System and Economic System Financing**

National Health System Financing	Economic System			Remarks
	Capitalism	Keynes/Schumpeter	Socialism	
<b>Background of national health system financing</b>	Domination of private sector	Government provides basic services in health of citizen	All the health care and services provides by central government	stated in the law health for each country
<b>The objectives of financing the national health system</b>	Private profit	Fulfillment of basic service of health for all citizen	There is equity in health services	
<b>The Role of Government in Financing the National Health System</b>	Minimum	Balance	Dominant	
<b>Dominant Actors in the National Health System Financing Market</b>	Private health insurance companies	Balance	(Central) government	
<b>Health Level Improvement Efforts</b>	Free	Supporting by government	All by government hardly	
<b>Ownership of Health Insurance</b>	Free	Dominant by Private	Required by the Government	
<b>State-Controlled Health Services Sector</b>	Basic Services/Basic Social Security	Limited	Almost All Fields and Aspects	
<b>SOE Goals in the Health Sector</b>	Providing Basic Services at the first level	Provide basic health services	Providing overall public services in the health sector	
<b>Health Insurance Purpose</b>	Private : profits	Private : Profit and Government: Benefits	Community health services	
<b>Consumer/Society Purpose</b>	Maximum Satisfaction	Rational Satisfaction	Standard Satisfaction	
<b>Formation of Health Service Pricing</b>	By market	By the market, sometimes there is government intervention	By government	
<b>Health Insurance Competition Conditions</b>	Health competition	There are minimal rules from the government	All with government permission	Some insurance is owned by the government
<b>Business Climate</b>	conducive	There are various rules	Everything is regulated by the government	

<b>Product/Service Quality</b>	Good	Standardized	In accordance with (central) government plans	
<b>Consumer Satisfaction</b>	Can be achieved in accordance with the ability of consumers	Achievable with minimal standards	Same for all people	
<b>Creativity</b>	Very well developed	Well developed	Limited	
<b>When a Crisis Occurs</b>	The Government Does Not Interfere	Government Gives Stimulation of Recovery from Crisis	Government Leads Economic Recovery	Different if there is a force majeure condition: disaster, war etc. Like the Global Pandemic Covid-19.
<b>Foreign Relations</b>	Limited Role of Government	Role of Government for Certain Affairs	The Government Markets Products to Overseas	Different if there is a force majeure condition: disaster, war etc

With various aspects and perspectives that can be used to formulate policies in the field of financing the national health system, one important way to understand policy formulation is to use common indicators to measure the performance of national health system financing, as explained in Table 3 below:

**Table 3 Shows the performance indicators for national health financing**

**Health financing performance indicator:**

Indicative performance indicator target(s)

**1. Level of funding:**

The existing resource mobilization potential is exhausted.

Total health expenditure per capita is at least US\$34 (in 2000 prices) (cf. WHO 2001) and within the range of the regional average.

**2. Level of population coverage:**

The total population is covered by a social health protection mechanism, i.e. having access to key health interventions at an affordable cost.

**3. Extent of financial risk protection:**

At least 85% of total health expenditure is based on prepaid funds (e.g, taxes, health insurance contributions), and less than 1% of households experience catastrophic expenditure. (Catastrophic expenditure occurs when households spend more than 40% of their disposable income on health (Xu et al. 2003)).

**4. Level of equity in health financing:**

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Health financing payments (e.g, SHI contributions, taxes, out-of-pocket payments) as a share of household capacity-to-pay (non-subsistence expenditure) are equal across income quintiles.

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**5. Level of pooling:**

Health spending per person is equal across pools (i.e, health financing schemes), adjusted for health risk units.

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**6. Level of cost-effectiveness and equity in benefit package composition:**

The benefit package composition is based on equity and efficiency criteria.

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**7. Level of efficiency in benefit package delivery:**

Remuneration mechanisms minimize incentives for over- under-provision or cost-shifting. Resource allocation reflects health care needs and health care costs.

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Source: based on [Carrin James \(2005\)](#) and [Mathauer \(2009\)](#)

## Discussion

How does the fixed model fare? In reality, there is no universal model. Each policymaker in a country, in this case regarding the financing of the national health system, can select the financing model that is best suited to the country in question. Each financing model will undoubtedly have an impact on the financial burden of the state, market conditions, the attractiveness of investors and the private sector, as well as the state's relationship with markets and international trade.

If we assume that the financing model has two poles, fully funded by the government or completely funded by the private sector, then there are several variations between the two poles; mixture. The next topic of discussion is the extent to which the formulation of the financing mix is whether the government is dominant or the private sector is dominant, and where citizens as individuals stand.

The health system's financing, which is dominated by state funds, will slow the health insurance industry, and vice versa. Even if the state only funds a small portion of health insurance, the health insurance industry will thrive. The government's role is more to create and enforce these regulations in order to protect each citizen's fundamental rights.

A market structure that results in perfect competition is usually more profitable for both producers and consumers. Despite the fact that is frequently stated that a centralized market system will destroy a rational economy, and that a capitalist system will destroy the old and create a new one.

## CONCLUSION

The pattern or model for financing the national health system is, of course, determined by the State's goals, the nation's long history, and the prevailing economic system



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