

The evolution of private health financing in Algeria since the beginning of the third millennium- An analytical study with a conceptual vision -

تطور التمويل الصحي الخاص في الجزائر منذ بداية الألفية الثالثة

—دراسة تحليلية مع رؤية تصورية—

Nour Elhouda Rezgui¹, Nouredine Bahloul²

¹University of Mohamed Cherif Messaadia - Souk-Ahras-, no.rezgui@univ-soukahras.dz

²University of Mohamed Cherif Messaadia - Souk-Ahras-, n.bahloul@univ-soukahras.dz

Laboratory of Finance, accounting, levy and insurance

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Abstract:

The research aims to monitor the evolution of private health sector expenditure in Algeria, to show the background of this evolution, and to set a model for the operation of private health financing to ensure that health care is provided for all individuals.

Based on the analytical descriptive approach, the study concluded that the source of private health sector funding in Algeria that comes from families through direct payments, can cause either financial risks when paying for private practitioner or the inability of some people to have access to health service which prevents the achievement of universal health coverage. Therefore, this type of funding needs to be reviewed. So, when relying on Takaful insurance as a funding source for the private health sector, this allows universal health coverage to be achieved; through risk-sharing among insurance participants and by making the health service they need available to all individuals.

Keywords: Health care; finance; Private sector; Takaful insurance.

Jel Classification Codes: I19, G00, G22 .

ملخص:

تهدف هذه الدراسة إلى رصد تطور نفقات القطاع الصحي الخاص في الجزائر، توضيح خلفية هذا التطور، و من ثم محاولة وضع نموذج لعمل التمويل الصحي الخاص بما يضمن توفير الرعاية الصحية لكل الأفراد.

وبالاعتماد على المنهج الوصفي التحليلي، تم التوصل في الأخير إلى أن مصدر تمويل القطاع الصحي الخاص في الجزائر والمتمثل في العائلات وذلك عن طريق المدفوعات المباشرة قد يسبب إما مخاطر مالية، أو قد يمنع حصول بعض فئات المجتمع على الخدمة الصحية و هو ما يحول دون تحقيق تغطية صحية شاملة، ولكي يتم تحقيق هذه الأخيرة لابد من إعادة النظر في هذا المصدر التمويلي. لذا فإنه عند الاعتماد على التأمين التكافلي كمصدر تمويلي للقطاع الصحي الخاص فإن ذلك يسمح بتحقيق التغطية الصحية الشاملة من خلال تقاسم المخاطر بين الأفراد المشاركين في التأمين و من خلال استفادة كل الأفراد من الخدمة الصحية التي يحتاجونها.

كلمات مفتاحية: تمويل صحي، قطاع خاص، تأمين تكافلي.

تصنيف JEL : I19, G00, G22

Corresponding author: Nour Elhouda Rezgui, e-mail: no.rezgui@univ-soukahras.dz.

1. Introduction:

Health is a basic human right, and it is recognized by many international conventions. The most important point to understand the health situation, its problems, and way of developing is finance. On this occasion, the World Health Organization considers health financing to be an essential element in the capacity of health systems to provide health care to the population. However, many challenges are facing this goal, mainly the high cost of health care due to the development of medical and pharmaceutical technology, also to the demographic and epidemiological transitions. Algeria has made great strides in developing the health sector and improving health coverage in an attempt to address these various challenges, but it is often unable to provide the most basic services at the level of public health institutions. Therefore, the Algerian state has sought to open the way for investors to establish private clinics to solve several problems. And thus, private institutions have become effective in the health system, where does the patient pay for the health services provided by direct payments which are often expensive for most individuals.

From this point, the following problem is posed:

Based on the evolution of private health expenditures in Algeria, what is the perception about the optimal mechanism for financing the private health sector?

- The sub-questions

- What is the reality of private health expenditure in Algeria?
- What is the source of funding for Algeria's private health sector?
- What is the most important impediment to the effectiveness of the private health sector?
- How can citizens be protected from financial risk?

- The hypotheses

- The private health expenditure in Algeria is increasing as a result of demographic and epidemiological changes on the one hand and the failure of the public health sector to meet the health needs of the population on the other.
- The financial source of the private health sector of Algeria is families through direct payments.
- The most important obstacle in the effectiveness of the private health sector is the inability of all individuals to pay the financial dues of private practitioners, which causes them financial problems.

– Citizens can be protected from financial risk by dividing risk through Takaful insurance.

- The objectives and importance of the research.

The research aims at monitoring levels of private health sector expenditures in Algeria, the background of these levels, their impact on the economic situation of individuals, and attempting to introduce a model for the operation of private health financing to ensure that all individuals are provided with health care.

The importance of this study is:

* Health is an essential focus of human development as the health sector is seen as an essential sector to enable citizens to enjoy a socially and economically productive life.

* Knowing, analyzing, and controlling health spending levels.

* Knowledge of the challenges that undermine the effectiveness and efficiency of the private health sector, and therefore try to overcome these challenges and to reach an optimal working mechanism, which is addressed in this study.

- The approach of the research.

*Descriptive: In creating the theoretical background of a topic through access to articles, reports, and statistics in Arabic and foreign languages;

*Analytical: Used through analysis of these statistics and indicators.

2. Definition of terms

- Health financing

Health financing refers to the function of a health system concerned with the mobilization, accumulation and allocation of money to cover the health needs of the people, individually and, collectively, in the health system. (World Health Organization, 2008, p. 02)

- Public health financing (Public expenditure)

includes all expenditure on health services by central and local government funds spent by state owned and parastatal enterprises as well as government and social insurance contributions. (Pradhan, p. 05)

- private health financing(private expenditure)

Voluntary payments by individuals, (Pradhan, p. 05) in exchange Medical services provided by an entity that is not the government. (superbrokers, 2016)

- Health insurance

Health insurance, is a type of insurance which is coverage against the risk of incurring medical and related financial costs, and it is one of the ways that people in various countries pay for their medical needs. (Ho, 2016).

Some health insurance policies will pay for all expenses directly to the health care provider, while other policies will require the insured person to pay for medical expenses out-of-pocket and wait for the health insurance company to reimburse some or all expenses as mandated by the policy. (superbrokers, 2016)

- Out-of-pocket payments

Out-of-pocket payments are direct payments made by a patient to a health care provider, i.e. funds are not channelled via any financing intermediary. (McIntyre, 2007, p. 04)

- direct payments

In health, charges or fees are commonly levied for consultations with health professionals, medical or investigative procedures, medicines and other supplies, and for laboratory tests. Depending on the country, they are levied by government, nongovernmental organizations, faith-based and private health facilities. (the term out-of-pocket payments is often used to capture the same ideas). (World Health Organization, 2010, p. 05)

- The private health sector

Private sector entities contribute to the health system in the following ways: (Phoebe Sloane, 2018, p. 29)

* Delivering services: doctors, nurses, midwives, and community health workers in for-profit, nonprofit, and faith-based organizations.

* Providing pharmaceuticals and laboratory and diagnostic services: pharmaceutical wholesalers, distributors, retail pharmacies, laboratories, and diagnostic facilities.

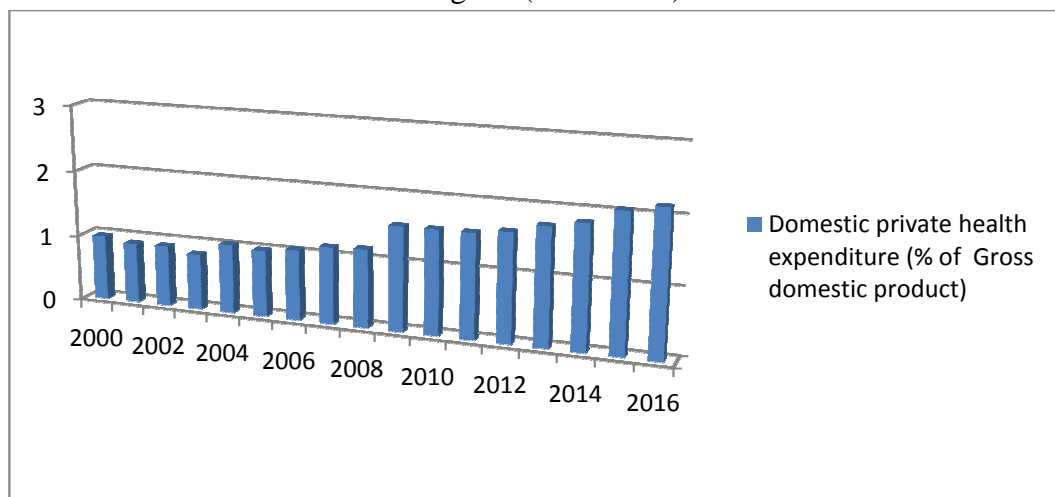
- Universal health coverage

Universal health coverage (UHC) means that all people in a society are able to obtain the health services that they need, of high-quality, without fear that the cost of paying for these services at the time of use will push them into severe financial hardship. (Joseph Kutzin, 2017, p. 01)

3.Private Health financing in Algeria

Although small compared to the public sector, the private health sector has grown considerably since the early 1990s. Decree 88-204 legalized the participation of the private sector in the health system in 1988. Private providers primarily operate .services in the private sector are paid for out of pocket. (Amy Kay, 2018, p. 42)

Figure 01: Domestic private health expenditure (% of Gross domestic product) in Algeria (2000-2016)



Source: prepared by the researchers on the basis of:

World Bank data from 2000 to 2016 on site:

<https://data.albankaldawli.org/indicator?tab=all>

In the previous graph, private health expenditures as a percentage of GDP are rising continuously, reaching a maximum of 2.15% in 2016. While the lowest percentage was in the year 2003, at 0.84%.

The increase in private health expenditures has not limited the rise in public health expenditures and the size of the budget allocated to the health sector in Algeria.

The increase in health expenditures in general from year to year is imperative, and any attempt to reduce the number of health expenditures indiscriminately and exaggeratedly can lead to serious consequences due to the epidemiological and demographic transition that Algeria experienced during these years as it is declared in the Algerian national statistical office (for years 2000,2016) the population has increased from 30 million in 2000 to about 41 million in 2016, and

the spread of contagious and chronic diseases. All of these are factors that cause health expenditures to rise considerably.

However, the rise in public expenditures has not improved the quality of services because the expenses that are directed at salaries and maintenance are not up to a level that allows for the provision of high-quality service as in the private sector.

Private health expenditure as a proportion of the total health expenditure in Algeria has also registered a significant development reached a significant level in recent years, and the corresponding table shows that:

Table 01: Domestic private health expenditure (% of current health expenditure) in Algeria (2000-2016)

	2000	2005	2010	2015	2016
<u>Domestic private health expenditure (% of current health expenditure)</u>	27,98	30,63	30,49	29,51	32,29

Source: World Bank data for years (2000,2005,2010,2016) on site:

<https://data.albankaldawli.org/indicator?tab=all>

The increasing proportion of private health expenditures is due to the consumption culture and the confidence of clients in the quality of services provided in the private health sector. In contrast to the low level of services provided in the public sector, whereas public health institutions are still far from performing well, concerning the bad conditions for receiving and staying of patients, scarcity of medicines and medical equipment, poor cleanliness, and delays in the treatment of the disease. Besides the mismanagement, abuse and waste of funds, bureaucracy, and corruption. (بومعراف إلياس، من اجل تنمية صحية مستدامة . في الجزائر، 2010، صفحة 32)

According to the last year declared, private health expenditure contributes one-third of the total health expenditure (2016: % 32,29), which is considered a significant percentage compared to the spending capacity of citizens and the prevailing economic situation. But most of the funding remains the state's own, as health coverage and ensuring access to health services for all are primarily the State's responsibility.

4. Prospects for private health financing in Algeria

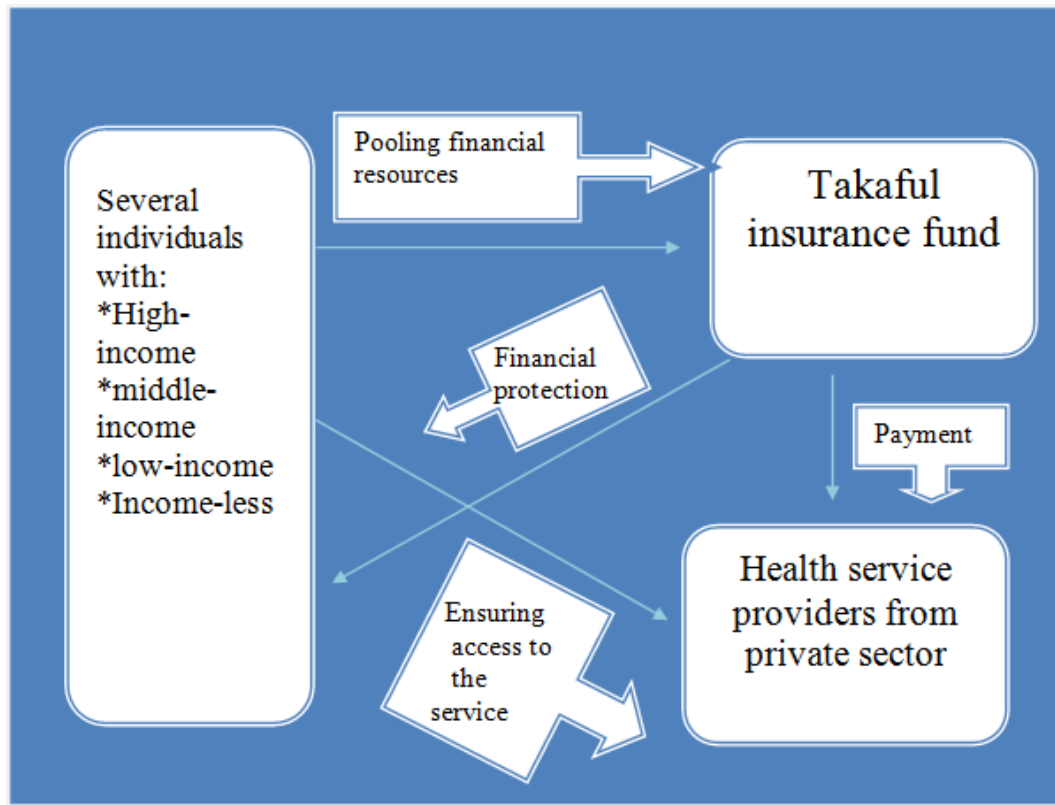
The involvement of the private sector is an opportunity to take care of the patients, alleviate the burden on the State, and to achieve health coverage. And most of the citizens prefer to resort to the private sector and treatment over their own expense because they are getting fast and high-quality care.

The above indicators point to a trend toward more and more allowing the private sector to finance health services, but with interest in health services provided by the private sector in Algeria, this sector finds the justification for imposing high prices for the income of many patients, which has had a great impact on Algerian people. Whereas, financing systems need to be specifically designed to: (World Health Organization, 2010, p. 06)

- provide all people with access to needed health services (including prevention, promotion, treatment, and rehabilitation) of sufficient quality to be effective;
- ensure that the use of these services does not expose the user to financial hardship.

Since the financing of private health services in Algeria comes from Out-of-pocket expenditure, it is asked about which insurance formulas are needed and which of them covering these expenses. Therefore, to regulate the activity of the private sector, the following conceptual model based on Takaful Islamic insurance has been created:

Figure 0 2: Health Takaful Islamic Insurance Model



Source: prepared by the researchers

The model mechanism is as follows:

1. Collecting financial resources from various categories (High-income, middle-income, low-income, and income-less people), which are contributions by income, and the state pays the contributions of income-less people. These contributions are paid to the Takaful Insurance Fund, which is defined : "Collaboration of a group of people to take risks and potential damage by creating a non-profit (fund) account with an independent financial liability, in which the premiums and revenues are combined, and maturities are paid of compensation and expenses and what remains is the surplus according to the account system that is entrusted to its administration and its investment is a specialized company by the provisions of Islamic law".. (بهلولي فيصل، 2012، صفحة 04) What means prepayment of the health service.

2. When a participant in Takaful insurance (whether of low income or high income) goes to the private health sector, he can benefit from the health service he needs without fear of paying costs. What means Ensuring to get the service.

3. The Takaful Insurance Fund will reimburse the expenses of the beneficiary of the Service regardless of any category to which he belongs and regardless of the value of the contributions paid. What achieves the protection from financial risks.

Accordingly, this mechanism will allow:

- Avoid direct payments:

Direct payments have serious repercussions for health. Making people pay at the point of delivery discourages them from using services (particularly health promotion and prevention), and encourages them to postpone health checks. This means they do not receive treatment early, when the prospects for cure are greatest. (World Health Organization, 2010, p. 05)

_ Fair financing in health systems:

This means that the risks each household faces due to the costs of the health system are distributed according to ability to pay rather than to the risk of illness: a fairly financed system ensures financial protection for everyone. A health system in which individuals or households are sometimes forced into poverty through their purchase of needed care, or forced to do without it because of the cost, is unfair. This situation characterizes most poor countries and some middle and high income ones, in which at least part of the population is inadequately protected from financial risks. (World Health Organization, 2000, p. 35)

- Universal Health Coverage:

Progress towards universal coverage depends on raising adequate funds from a sufficiently large pool of individuals, supplemented where necessary with donor support and general government revenues, and spending these funds on the services a population needs. The more people who share the financial risk in this way, the lower the financial risk to which any one individual is exposed. In general, the bigger the pool, the better able it is to cope with financial risks. Using the same reasoning, pools with only a few participants are likely to experience what actuaries term “extreme fluctuations in utilization and claims.

For a pool to exist, money must be put into it, which is why a system of prepayment is required. Prepayment simply means that people pay before they are sick, then draw on the pooled funds when they fall ill. (World Health Organization, 2010, p. 06)

5.Procedures activation takaful insurance in Algeria to finance health services.

Although the emergence of Islamic takaful insurance in the world and its spread in the Gulf countries and some Islamic countries, it has only recently appeared in Algeria. (بهلولي فيصل، 2012, p. 10)

Therefore, to ensure the effectiveness of this system, the State must organize this process by(سلطاني، 2016) :

- Determining the number of insured and total income;
- Determining the maximum value of spending according to the numbers of patients;
- Exclude certain services to reduce demands for example not covering glasses or dentures;
- Strengthen the legal, administrative, and financial aspects and structures necessary for the successful implementation of the system, including sound bases for treatment prices;
- Preparing studies to evaluate the health insurance system to help apply it to everyone and to examine its impact on the change in supply and demand, the impact on prices, and the quality of services provided;
- Conducting evaluation studies to establish the principle of sharing in the cost of some health services such as symbolic fees on various aspects of health-care services;
- Emphasize the importance of community participation in the provision of health services through direct donations and voluntary contributions;
- Coordination and cooperation with private sector institutions to develop new areas of appropriate financing and investment in the delivery of health services.

6.Conclusion:

this study examined the evolution of private health spending in Algeria from 2000 to 2016, which has been growing from year to year, as direct payments and out-of-pocket expenditures; therefore, a model for the operation of private health finance has been proposed to ensure that all individuals have health care. Finally, the study concluded to these results and Suggestions:

***Results:**

- Health expenditure in Algeria is increasing year after year as a result of the increasing health needs of individuals and the inability of government funding to meet them.
- The source of private health sector funding in Algeria is families through direct payments that may cause financial risks when paying for private practitioners or the inability of some people to have access to health service, which prevents the achievement of universal health coverage.
- When relying on Takaful insurance as a funding source for the private health sector, this allows universal health coverage to be achieved through risk-sharing among insurance participants and by making the health service they need available to all individuals.

***Suggestions:**

- Comprehensive studies on insurance schemes, allowing for the establishment of a compulsory health insurance system covering all groups of the community, ensuring that services are available as much as possible and protecting individuals from the burden of expenses.
- Strengthening the private health sector participation as a complementary activity to the public health sector and encouraging investors to establish medical clinics under strict control conditions imposed by the Ministry of Health.
- The role of the State in providing health services is indispensable. Although the way is opening for the private sector, the State is primarily responsible for providing health services and improving the health status of the community, while seeking that its expenditures reflect the quality of the service provided.

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