

Hospital Financing in Rural Ghana: Insight from Practitioners

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Abstract Poverty magnifies the need for health care while at the same time shrinking the capacity to finance it. The purpose of this study was to identify the sources of finance available to hospitals in Ghana and challenges they face in access finance from these sources. Goaso Municipal hospital was purposively selected for the study. Questionnaire was used to solicit information from the respondents while descriptive statistics aided the data analysis. The study found that government subvention, National Health Insurance Claims and internally generated funds are the main sources of finance to the hospital. The study also revealed that the key challenges faced by the hospital with regards to financing are the delays in accessing National Health Insurance claim and government subventions. It is therefore recommended that National Health Insurance should reimburse the hospital promptly to improve the health care delivery. Moreover, the government must separate hospital financing from public spending via earmarked budgets to avoid annual public spending negotiations for government subventions.

Key words Hospital financing, sources of finance, health workers, public hospitals, rural Ghana

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1. Introduction

Healthcare is an essential part of the human lives and cannot be overlooked be it an individual, family or a state hence a conscious and a planned effort must be taken by the state to make sure that accessing healthcare must be universal and affordable especially for the poor in the under-develop economies. Hospital financing has been a challenge as the state is struggling to meet all the need of the other sectors of the economy of Ghana thereby affecting the funds that must go to the hospitals coupled with population increase, 2010 population and housing census recorded 24,223,431 as against 6,726,815 in 1960. The pressure on the health facilities and its attendance will increase which demand a corresponding increase in resources which is not the case. Asare (2015) reported that hospitals and mental health facilities are stretched due to population growth rate and ageing populations make use of health care services more frequently.

Briggs (2013) indicated that the World Health Report (2010) suggested practical guidance on ways to finance health care by both rich and poor countries. This confirmed even more on the financing challenges when it comes to health care by the poor countries to attain universal health coverage. Universal Health Coverage as indicated by the World Health Report (2010) suggest that health services must be available to all people irrespective of their ability to pay for the service or not. Kutzin (2001) suggested that there is the need for efficient policies on health care financing to ensure sustainability of funds. Atim *et al.* (2008) indicated that budgetary constraints in terms of allocations to hospitals to spend on healthcare provisions in most African countries are inadequate to guarantee universal coverage in terms of accessibility and affordability of health service delivery.

Akortsu and Abor (2011) studies suggest that internally generated funds are most reliable as a source of hospital financing while donor support is the least, the study affirmed that delays in government subvention and reimbursement of health insurance are financing challenges to the hospitals. Asare (2015) indicated that the National Health Insurance Scheme is a major contributor to hospital financing due to its registered members who access health delivery is about 70%-90% of OPD/Inpatient client. He confirmed that in terms of IGF revenue the "cash and carry" constitute between 10%-20% which make it a reliable source of revenue for the hospitals. According to KPMG (2012) on the state of healthcare in Africa, it

indicated that Africa is not a healthy continent. The report went ahead to state that expenditure on healthcare in Africa can be divided into three categories which are government spending, private spending and external sources. According to Asare (2015), public hospitals funds come from the government subvention to a large extent and Internally Generated Fund (IGF), He said the IGF includes the health insurance, “cash and carry”, donor fund and donations.

Ensor *et. al.* (2009) studies stressed that cost pressures, demand pressures and inefficiency are the three main factors accounted for strain on the hospitals in recent times. Asare (2015) stressed that sustainable hospital financing need a big change in terms of governance, financing and dealing with inefficiencies of the hospital systems rather than introducing a different reimbursement system. The aim of this study is to investigate hospital financing and its challenges faced by Goaso Municipal Hospital in Brong Ahafo Region of Ghana. Subsequently the organization of the paper considers the methodology used as section two. Section three presents the results and discussions whilst section four concludes the paper with recommendations as the organization of the paper.

2. Methodology of research

The rural community was felt to be important in assessing how hospital financing and its challenges affecting the rural inhabitants considering low economic activities in the rural areas thereby affecting personal income levels make them vulnerable in their ability to pay for unsubsidized hospital user fees in health delivery. Brong-Ahafo Region was chosen as its characteristics fit for the study but Goaso is the rural town where the study was conducted which happened to be the district capital for Asunafo North Municipal. The district population accounted for 5.4% of the regional population which is 124,685 which have 50.4% representation of males while the females are 49.6%, as recorded during the 2010 Population and Housing Census. (Ghana Statistical Services, 2013) The Goaso Municipal Hospital is a government owned primary hospital which served the district. The paper adopted a case study design however the approach was quantitative in nature. Purposive sampling was used to select the case hospital and the sample of respondents. Out of a population of forty-five (45) of staff of the hospital, a sample of forty (40) was selected based on their working experience, positions they hold and their readiness to fill the questionnaires voluntarily. The composition of the respondents included Medical Officers, Pharmacists, Accountants, Administrators and junior staff. The data for the study were predominantly primary data collected from respondents through structured questionnaire. Descriptive statistics was used to analyze the data.

3. Results and discussion

3.1. Demographics

Age distribution of the respondents was 21 to 30 years represents (25%), 31 to 40 years represent (50%), 41 to 50 years represent (15%) and 51 to 60 years accounted for (10%). The 31 to 40 years group had the majority of the sample and an indication that the workforce is vibrant and energetic to achieve results with dedication and commitment to work; on gender composition female representation was (67%; n = 27) and male counterpart was (33%; n = 13). This is not surprising as generally there are more female role jobs in hospitals as compared with males. In terms of educational qualification, 18% had postgraduate certificate, 25% had obtained a first degree, 20% held diploma certificate and 37% had professional qualifications from various fields. This is an indication that as respondents they have the knowledge to appreciate the study. Likewise, the period of one to five years and that of sixteen to twenty years each accounted for 25% of the respondents in terms of working experience while those with six and ten years was 30%, with 20% within the eleven and fifteen years bracket. This information depicts rich working experience of the respondent's which will bring to bear in terms of need especially in the health sector and hospital in particular.

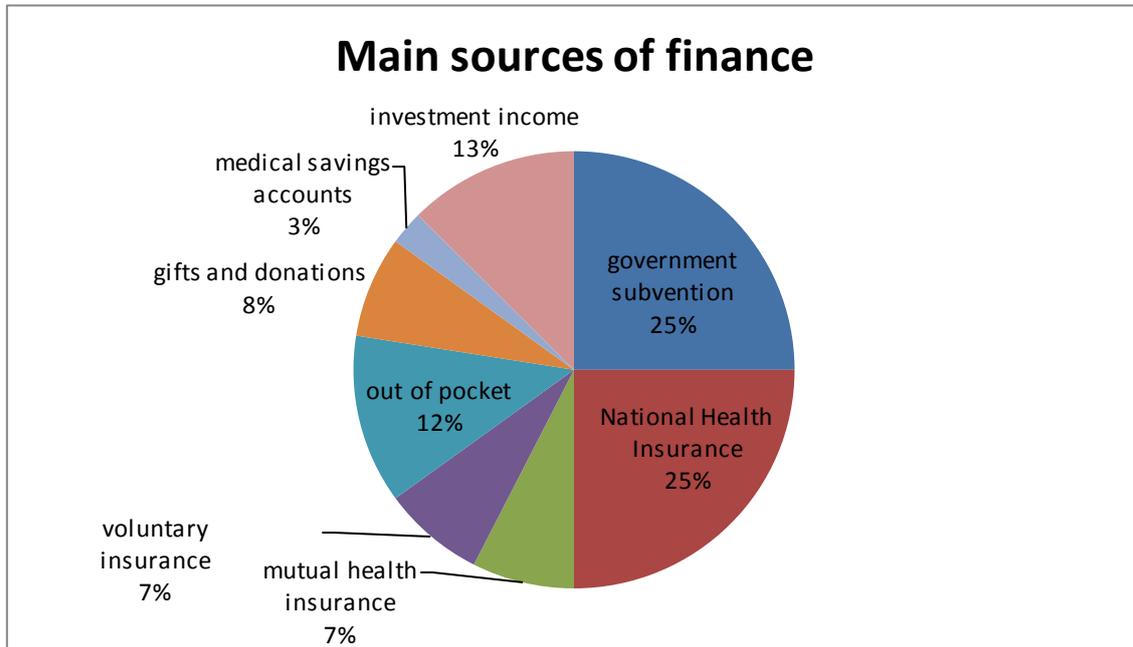
3.2. Sources of hospital financing at Goaso Municipal Hospital

Hospital financing takes various forms, in the context of this study, eight sources were considered which includes the government subvention, national health insurance and among others as depicted in Figure 1.

Out of pocket as a source of hospital financing accounted for 12% of the total funds for the hospital during the study. Out of pocket is where patient(s) paid for the health delivery services from his/her pocket when they walk to the hospital to access health care. Another name for out of pocket in the Ghanaian context is “cash and carry”. Considering the rural setting of the study generating more income from this source is a challenge as it has to do with the ability, means and preparedness to pay for the service where herbal medicine is an option to the patients. Government subventions are funds coming from the governments to run the public hospitals. The fund is use to pay for workers’ salaries and investment in infrastructure among others. This fund is huge as the hospitals depend on it to run the services in the health centers. Its representation for this study was 25% of the total funds for the hospital during the study.

Gifts and donations are funds from individuals, companies, charitable organisations who come to the aid of the hospitals in respond to appeal for fund or fund raising activities. Other companies donate as part of their social corporate responsibilities towards the hospitals. This source of finance cannot be bank on in long term as it is not within the control of the management of the hospital. Voluntary health insurance is another source of hospital financing. Its representation for this study was 8%. Donor pool fund falls under this category. Voluntary health insurance represent 7% in this study, it is not a popular source in the longer term as the dependency on the source is on middle and upper income earners who are ready to go for voluntary health insurance. A low income rural setting cannot pool enough from this source to support hospital financing.

National health insurance scheme derive its funding from general revenues with the intention to have a nationwide coverage through public providers to deliver health care. It accounted for 25% of the total funds for the hospital during the study. Specifically in Ghana the funds comes from 2.5% mandatory payroll deduction from the formal sector workers and consumption tax of 2.5% as indicated by Addae-Korankye (2013). National Health Insurance is effective in terms of utilization and as a source of financing. KPMG (2012), cited Ghana for its efforts of successful health policy such as NHI’s where majority of the population belongs to the scheme. In Ghana this is salutary consequences for the poorest Ghanaians.



Source: Field data, 2015

Figure 1. Main sources of finance

Medical Saving Accounts representation was 3% of the total funds for the hospital during the study. This is where individuals set aside some of their income to save in the medical saving account. This is not a popular source of income the hospital can rely on but it is an alternative source of fund. It is easier for an individual to save if his/her net worth is positive where there are surpluses to be save. This makes it difficult

for low income rural community to save with the health account when they are even struggling to meet basic needs. Though this is not a mainstream source of hospital financing in Ghana, recently hospitals have started finding ways to get other source of revenues by investing in marketable securities and properties to support the hospital source of finance. For this study its representation was 13% out of the total funds for the hospital. Asare (2015) as well as Akortsu and Abor (2011) all reported the various sources of hospital financing as indicated in figure 1 studies.

3.3 Sustainability of the revenue sources for the hospital

Achieving financial sustainability is a key to effective running of any organization as it enhances smooth operations to fulfill its mission. Hospital in recent times are focusing more on quality of care and better health service delivery which needs adequate and sustainable source of that fund. When an organization has a reliable stream of revenue to run its operation it could be term as financial sustainability. This make the organization which in this case is the Goaso Municipal Hospital be able to meet its financial obligations when they are due for payment.

Table 1. Sustainable Source of funding

Source of funding	Most Sustainable	Somehow sustainable	Not sustainable	Rank
Government subvention	23(57.5%)	7(17.5%)	10(25%)	2 nd
National health insurance	10(25%)	22(55%)	8(20%)	3 rd
Community or Mutual health insurance	15(37.5%)	10(25%)	15(37.5%)	4 th
Voluntary and private insurance	2(5%)	18(45%)	20(50%)	5 th
Out-of-pocket or cash-and-carry	27(67.5%)	10(25%)	3(7.5%)	1 st
Gifts and donations	5(12.5%)	5(12.5)	30(75%)	6 th
Loans and equity capital	1(2.5%)	1(2.5%)	38(95%)	7 th
Medical savings accounts	10(25%)	20(50%)	10(25%)	4 th
Investment income	5(12.5%)	5(12.5%)	30(75%)	6 th

Source: Field data, 2015

In Table 1, in terms of sustainable source of funding majority of the respondents representing 67.5% agreed that cash and carry is the most sustainable source that will guarantee the hospital to be liquid to meet its operational obligations financially. The second in terms of ranking for sustainable source of funding was government subvention as 57.5% of the respondents agreed on this source. It is interesting as it can be seen as a risk free source of funding, knowing that it will come but the challenge is when it will come. The third and fourth ranked on the sustainable source of funding were the National Health Insurance and Mutual Health Insurance which had 25% and 37.5% respectively of the respondents agreeing to these sources as the most sustainable. The respondent's feedback echoed on the studies conducted by Atim *et al.* (2008) where they indicated that budgetary constraints in terms of allocations to hospitals to spend on healthcare provisions in most African countries are inadequate to guarantee universal coverage in terms of accessibility and affordability of health service delivery. Asare (2015) stressed that sustainable hospital financing need a big change in terms of governance, financing and dealing with inefficiencies of the hospital systems rather than introducing a different reimbursement system.

3.4. Challenges facing the Goaso Municipal Hospital

The study identified seven key challenges facing the hospital as shown in Table 2 through the respondents feedback on the questionnaire administered.

The result shows that growing demands for hospital services was ranked first. It should not had been a problem as people are becoming conscious about health care and are taking steps to obtain health services. In reality it is worrying as the population is growing more people will access health service however there is no corresponding increase in terms of health sector infrastructure and investment to match the growing demands of healthcare by the state. This result confirmed Asare (2015) concerns that

hospitals and mental health facilities are stretched due to population growth rate and ageing population's frequent use of health care services.

Table 2. Financing challenges of Goaso Municipal Hospital

Theme	Rank
Growing demands for hospital services	1 st
Un-compensating health care services	2 nd
Delays in receipt of government subvention	3 rd
Delays in reimbursement by health insurance	4 th
Rising unit cost of hospital services	5 th
Persistent inefficiency in controlling spending	6 th
Government interference in setting health fees	7 th

Source: Field data, 2015

The second challenge was uncompensated healthcare services. Hospitals makes cash flow projections which will support their budget in running the hospitals, it presupposes that all services provided must be paid for. Uncompensated health care is a situation where a partial or no payment is received for a service provided by the hospital. Goaso Municipal Hospital on several occasions treated patients who come to the hospital without the means to pay for the service. The other side which poses a challenge is that of bad debts the hospital experienced, this is where patients who have the means and ability to pay failed to pay for the service provided. In terms of managing the hospital finances it is a major barrier because it is difficult if not impossible to accurately forecast the amount of monies which will not be paid from the expected reimbursement. Briggs (2013) was of the view that there is a financing challenge to the poor countries to attain universal health coverage. This is linked to the high poverty rate line within the rural communities in Ghana.

The government subvention to a large extent drives the operations of the public hospitals as staff's salaries and major investment activities are financed by the government. Any delay in the government subvention is a challenge and was ranked third by the respondents. Undue delay for the subvention has placed operational strain on the hospitals for which has affected quality health care delivery in the past. Asare (2015) indicated that the government subvention has fallen short of expectation in recent times. Delay in reimbursement by the national health insurance was ranked fourth. Akortsu and Abor (2011) in their study affirmed that delays in government subvention and reimbursement of health insurance are financing challenges to the hospitals.

In addition to the above, the least ranked challenges were rising unit cost of hospital services, persistent inefficiency in controlling spending and government interference in setting health fees. The focus is on the 6th ranked, the implication of the inefficiency means that value for money might not be obtained from spending than should be the case. This can add to possible funding pressure through corrupt practices, not adhering to best practice on procurement and contract management. The result is in alignment with Ensor *et. al.* (2009) where in their studies stressed that cost pressures, demand pressures and inefficiency are the three main factors accounted for strain on the hospitals.

4. Conclusions and recommendations

Hospital financing is critical in running a health center effectively and efficiently to save lives with a growing population with inadequate funding from the government. The aim of the study was to investigate the sources of finance and possible challenges facing the Goaso Municipal Hospital. The result from the study shows that there is inadequate funding to sustain the health delivery services of the hospital. Among the various sources of finance available to the hospital it was revealed that government subventions and the National Health Insurance Scheme are the dominant sources. However, in terms of sustainability of the financing source the respondents confirmed that "cash and carry" is the most reliable source. Government interference in setting health fees and reimbursement of national health insurance claims which delays the payments were evidence of the financing challenges facing the hospital. Ghana in recent times is facing

serious challenges on healthcare financing by the state. This is a worrying as a developing country where poverty level among the citizens is high. It is imperative that governments must show commitment in reversing this trend by resourcing the public hospitals adequately to carry on its mandate.

The paper suggest that government must separate hospital financing from public spending via earmarked budgets to avoid annual public spending negotiations for government subventions. The current financing situation of the hospital makes it imperative to strictly apply the “cash and carry” for the services that are not covered by insurance. Moreover the hospital must be creative in creating other specialize services for the upmarket who has the means to spend as additional source of finance. Funds must be spend prudently and controlling measures must be in place to address inefficiency of the hospital systems. The study limitation is that it is a single case study. Future studies can be done as comparative case studies of the public hospitals and private hospitals on their financing issues on operational performance within the Brong-Ahafo Region.

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