



1. INTRODUCTION

This policy brief highlights the findings and policy implications of Bhutan's National Health Accounts study for the FY 2018/19 & 2019/20. The National Health Accounts (NHA) estimates all expenditure and financial flows in the health system from different sources to final uses and beneficiaries. The evidence generated allows decision-makers to gain a better understanding of the existing health financing which is critical for making policy decisions and planning.

2. METHODS

The NHA exercise was carried out using the System of Health Accounts (SHA) 2011 guidelines and Health Account Production Tool (HAPT) (V4.0.0.6). The SHA 2011 is an analytical framework which is an international standardized tool used to track all health spending of a country over a defined period of time irrespective of the entity or institution that financed and managed the spending.

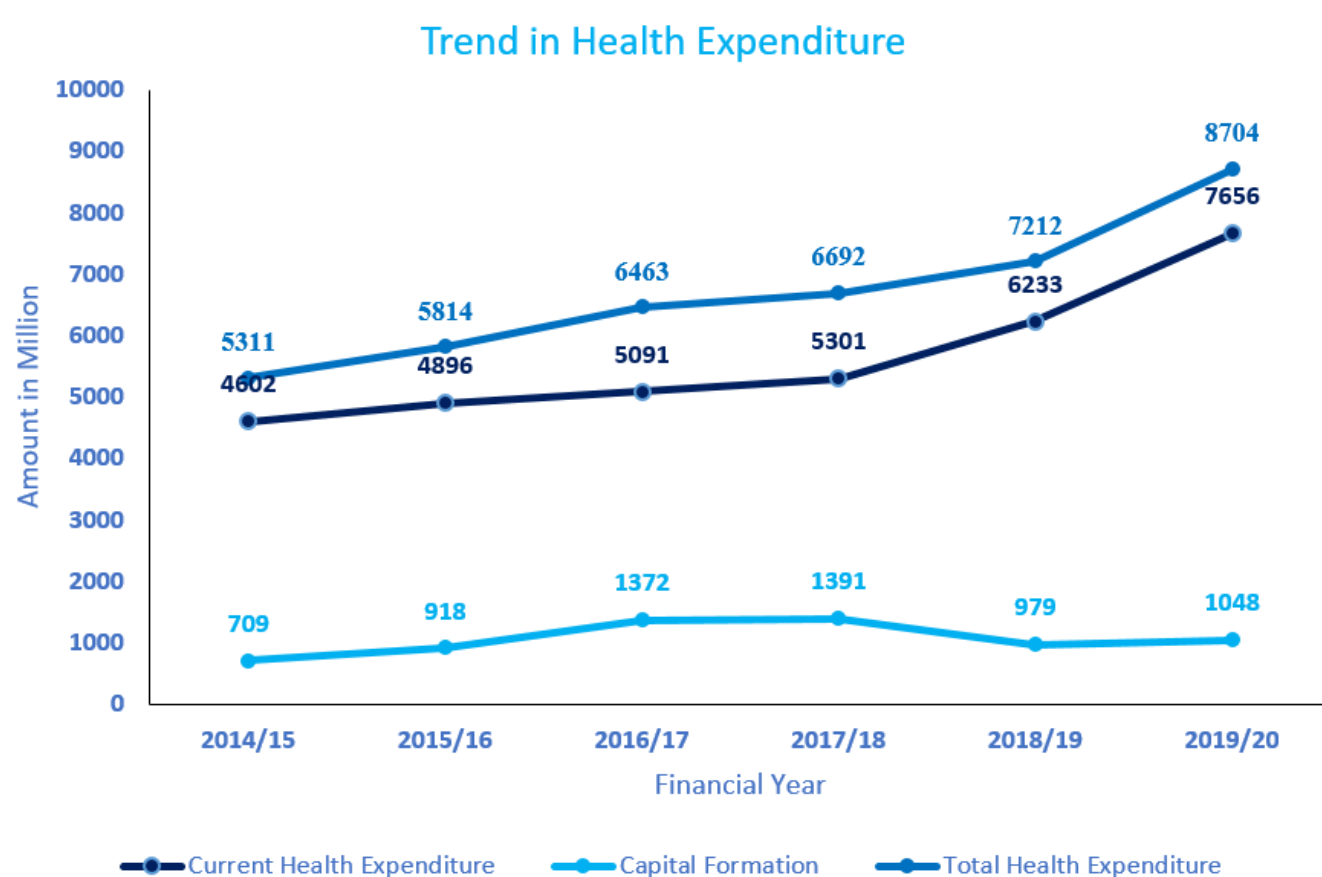
The NHA FY 2018/19 & 2019/20 used secondary data from the Ministry of Finance, Ministry of Health, Corporations under DHI, NGOs and Insurance Companies.

In addition, health expenditure from households was estimated using data from the 2017 Bhutan Living Standard Survey.

3. GENERAL FINDINGS

3.1 HOW MUCH DOES BHUTAN SPEND ON HEALTH

In the FY 2018-19 and 2019-20, the Royal Government of Bhutan spent a total of Nu. 7212 million and Nu. 8705 million, respectively. This accounts to approximately 4% and 4.5% of the GDP in respective financial years.



KEY FINDINGS

- The total health expenditure for financial year (FY) 2018/19 and FY 2019/20 were estimated at Nu. 7.2 billion and Nu. 8.7 billion respectively, which accounts to approximately 4% and 4.5% of the GDP in respective FYs.
- On average, the cost of capital formation in the last six years remained around one billion ngultrums.
- The current health expenditures (CHE) has increased from 17% in FY 2018/19 to 22% in subsequent FY. The total estimated CHE for the FY 2018/19 and 2019/20 were Nu. 6.2 billion and Nu. 7.7 billion, respectively.
- Government was the principal financing agent in both FYs (70.2% and 73.4% of CHE) followed by household expenditure (18% and 15.4%), donor agencies (7.1 and 5.1%) and voluntary health care payment schemes (1.3 and 1.2%).
- The largest share of health expenditure was on curative care services (54%) followed by preventive care (14%). Around 9.6% and 11% was spent on the medicines and other medical goods non specified by function.
- In terms of disease and programs for two FYs, the largest share was spent on non-communicable disease (38% and 41%) followed by reproductive health care (22% and 23%) and infectious diseases (18% and 19%).

Over the years, the CHE has seen steady increase, while the capital formation has witnessed slight decline since FY 2018/19. Overall, the health expenditure as a share of GDP remained slightly above 4% for the consecutive FYs.

CHE refers to the health expenditures made on goods and services by the government, corporate and household during respective fiscal years including the cost of capital formation in the health system

3.2 WHO FUNDS HEALTH SPENDING?

The government is the principal financing agent in both FY 2018/19 and 2019/20.

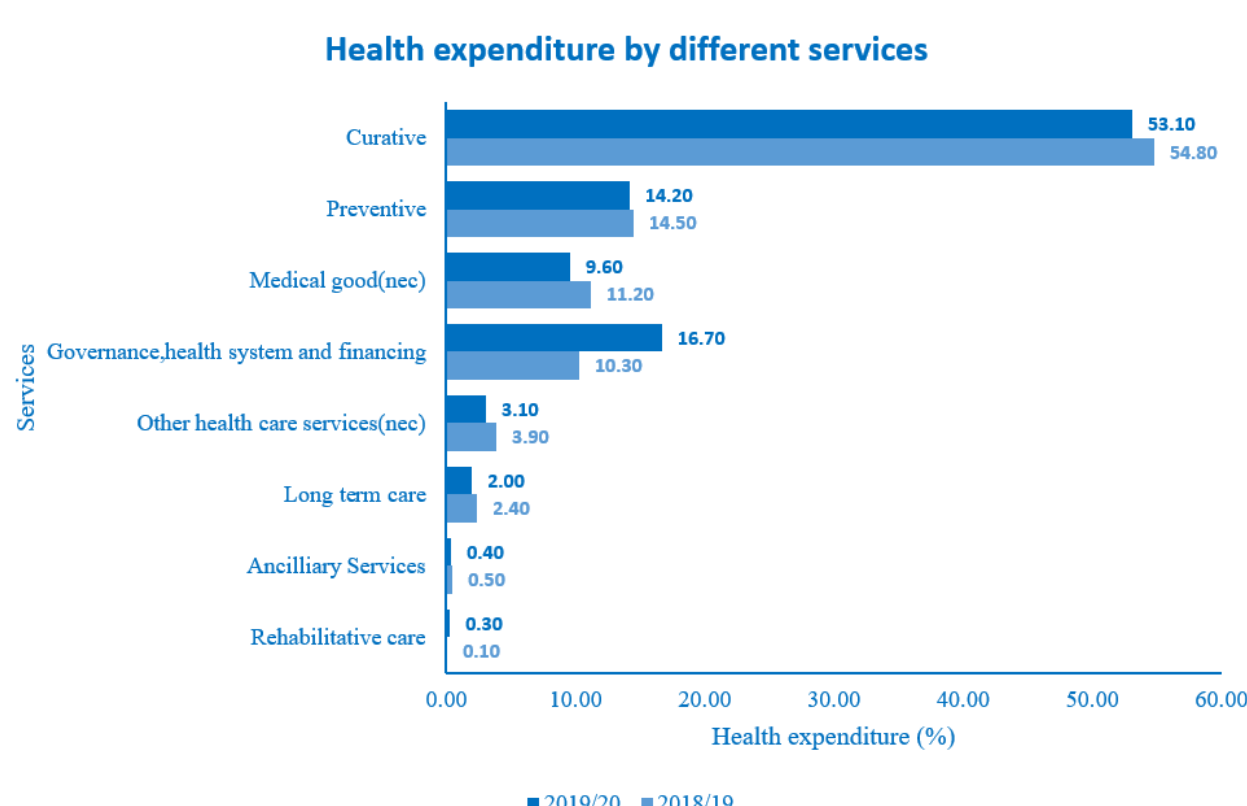
On average, 70.2% in 2018/19 and 73.4% in 2019/20 of CHE was financed by the Government. The household contribution accounted for 18% and 15.4% of the total health spending, while 7.1% and 5.1% was contributed by the donors, 1.3% and 1.2% by the NGOs, 0.2% and 0.2% by insurance companies, 0.3% and 0.1% by the corporations, in the respective FYs.

Source	Financial Year			
	2016/17	2017/18	2018/19	2019/20
Government	74.60%	79.60%	70.20%	73.40%
Corporations	0.30%	0.30%	0.30%	0.10%
Households	13.40%	13.30%	18.00%	15.40%
NPISH	0.00%	0.00%	1.30%	1.20%
Rest of the world	11.10%	6.10%	7.10%	5.10%
Others	0.60%	0.70%	3.10%	4.70%

3.3 WHICH SERVICES HAVE THE MAXIMUM RESOURCE IMPACT?

The curative services take a larger share of the government spending on health which constituted 54.8% and 53.1% in each FY.

While preventive care constituted the second major share of expenditure in the FY 2018/2019 (14.5%), it was replaced by the expenditure on governance, health system and financing administration in the FY 2019/20.



3.4 WHICH AGE GROUP SPENDS MORE?

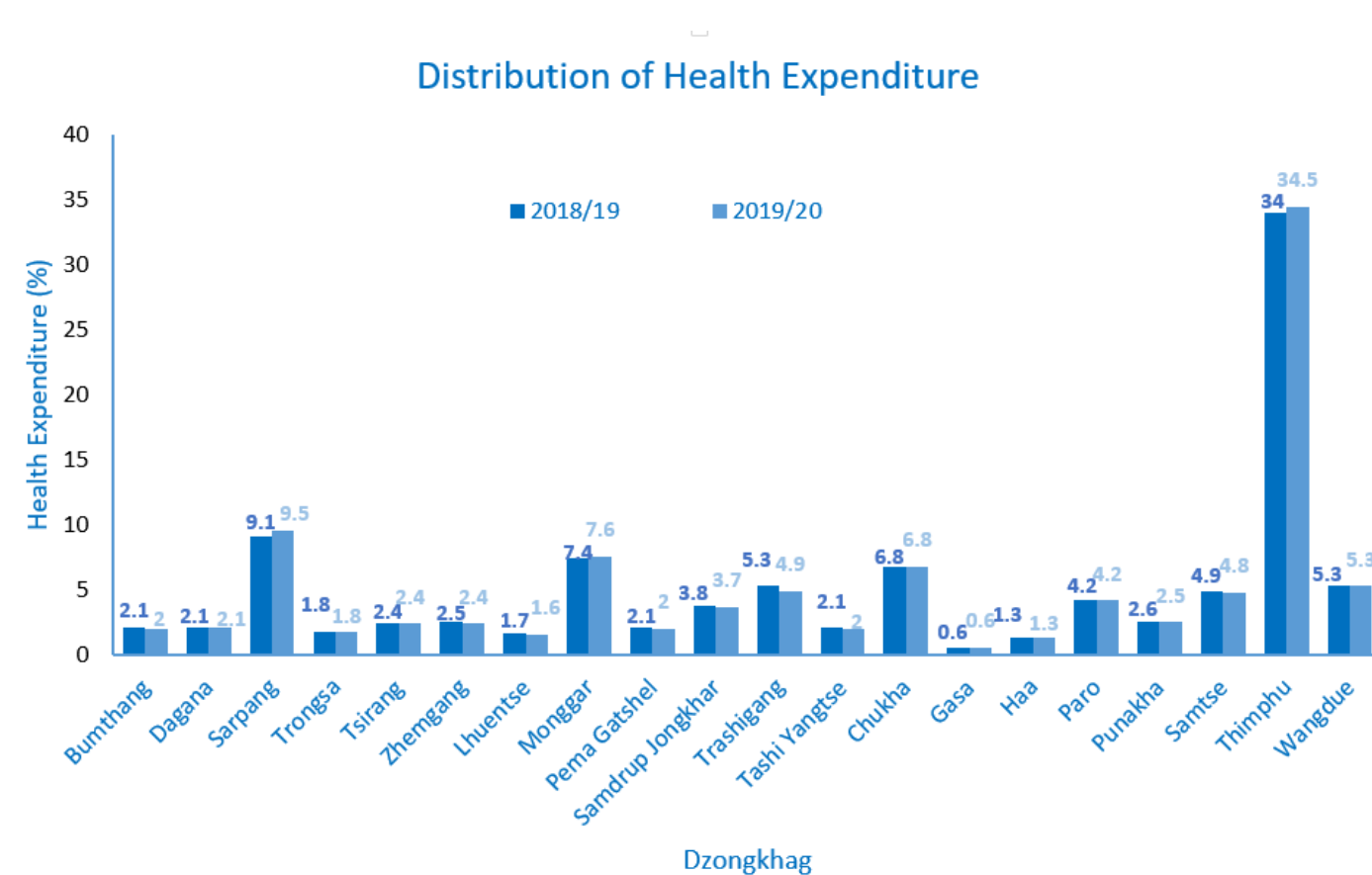
The largest share of CHE was in the age group of 20-59 which was around 55% for both the FYs. This could be attributed to the relatively larger representation of this age group in the Bhutanese population structure.

Further, close to 18% of CHE was spent on the health care provision for children.

Age	2018/19		2019/20	
	Amount (Nu.)	%	Amount (Nu.)	%
< 5 years old	1,104,550,731	17.9%	1,419,132,205	18.5%
5 to 14	586,596,763	9.5%	731,854,367	9.6%
15 to 19	368,285,856	6.0%	456,984,603	6.0%
20 to 59	3,394,319,824	55.1%	4,168,048,962	54.4%
60 and above	709,587,699	11.5%	880,273,853	11.5%
All age	6,163,340,874	100.0%	7,656,293,990	100.0%

3.5 WHICH DISTRICT SPENDS MORE?

Thimphu shows highest CHE followed by Sarpang, Mongar, and Chukha. This can be attributed to the healthcare expenditure incurred by major hospitals which are located in these districts.



4. CONCLUSION

Consistently, the government remained a primary source of financing healthcare services in Bhutan. However, the external funding for the health sector has declined over the years. With escalation of healthcare costs and other competing priorities, the sustainability of free health care services has become a challenge. Out-of-pocket health spending from households is increasing despite improved access to health care services, which undermines equity in health.

1 A Target for UHC: How much should governments spend on Health?

Bhutan spends about 4 to 4.5% of the GDP on healthcare financing. However, countries aspiring to achieve Universal Health Coverage are recommended to allocate more than 5% of GDP¹. The spending on curative services was relatively higher as compared to the preventive aspects. With the increasing trend of NCDs, more resources need to be channeled for preventive measures to strengthen primary health care for “Best buy”.

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