



*executive committee of
the directing council*

PAN AMERICAN
HEALTH
ORGANIZATION

*working party of
the regional committee*

WORLD
HEALTH
ORGANIZATION



72nd Meeting
Washington, D.C.
July 1974

Provisional Agenda Item 15

CE72/7 (Eng.)

20 May 1974

ORIGINAL: SPANISH

STUDIES OF SOURCES AND USES, METHODS OF FINANCING AND COSTS OF THE HEALTH SECTOR

I. INTRODUCTION

1. Pursuant to the mandate of Resolution XIII of the XXI Meeting of the Directing Council, in that part related to the problems of financing and costs of the health sector, the Director constituted a Working Group for the purpose of discussing and proposing appropriate studies and actions to implement the said mandate. (See Annex with the Group's report.)

2. Recommendations of the Working Group are summarized in a program of studies to be carried out over the next years, having as its primary objective the production of information and development of the necessary methods to the end that the countries may "identify their priority health problems and establish objectives for each of them in accordance with the manpower, physical and financial resources available, taking into account the regional health goals" (Resolution XIII, Par. 3).

3. To achieve this objective the countries require the following information and studies with regard to financing and costs:

(a) Detailed data on public and private expenditures on health, including the following aspects:

- Total amount, showing its composition by sectors
- Distribution by functions and by economic classification
- Monetary financing according to origin and description in real terms of the resources utilized
- Production of the sector and its distribution among population groups.

- (b) Development and dissemination of methods for establishing systems complementary to the National Accounts that will make it possible to identify the aspects cited in (a) on a regular and continuing basis (annually, along with publication of the National Accounts).
 - (c) Cost, cost-efficiency, and cost-benefit studies, designed to increase administrative efficiency of the sector and the quality of its development projects.
4. The information cited in (a) is essential from the standpoint of the Organization's programs, both for evaluating achievement of regional health goals as well as in adjusting the goals presently accepted and determining those to be established for the ensuing decade. The Working Group, with this in mind, defined a methodology for collecting and tabulating information by means of which it would be possible to obtain partial results after one year, and over a period estimated at three years the necessary detailed data with coverage broad enough to assure adequate representation of the Region.
5. The methodology mentioned in the preceding paragraph will also make it possible to obtain the "complementary system" envisaged in paragraph 3(b), based on the experimental applications that can be initiated along with the study of regional coverage.
6. With regard to the cost studies, which imply a continuing activity incorporated in the regular work of the sector in each country, the Working Group agreed to suggest the establishment of a Permanent Instrument at the Headquarters of the Organization, to be given responsibility for action to encourage such studies in countries requesting help, to be based on general guidelines that would facilitate regional comparability.
7. In summary, the recommendations of the Working Group imply action along three lines:
- (a) Making the necessary studies on financing and expenditures to obtain the needed complete information at the regional level;
 - (b) Formulating and disseminating methods to standardize information-collection through the National Accounts; and
 - (c) Creating the Permanent Instrument in the Organization's Headquarters to be responsible for promoting the cost studies needed by the countries to improve management of their health sectors.
8. The program of work corresponding to the studies cited in the preceding paragraph is described as follows:

II. PROGRAM OF WORK

1. Sectoral Financing and Expenditures (Regional Study)

1.1 Objective

Determination of present financing of investments in health being made by the countries, so that they may identify their priority health problems and establish objectives for each of them in accordance with the manpower, physical and financial resources available, taking into account regional health goals.

1.2 Methodology

As explained in the Annex, this concerns organization of the pertinent information according to classifications in a set of double entry tables in which the value of the five following variables are shown, related in each case to the institutional structure of the sector: source of financing, functional distribution of expenditure, economic classification of the same, real resources utilized, and production indicating its distribution by population groups. Because of the varying levels of availability of this information from country to country, details required to estimate the timetable and the resources required in each study can only be established in the field. However, it is estimated, according to information and known experience, that it will be possible to obtain representative coverage of the Region within a period of three years, with partial results obtainable after the first year. This estimate presupposes that the study is initiated in those countries in which the health sector has a simple institutional structure and a single centralized political organization, with a private sector of relatively little importance. As experience is obtained in these countries, other countries presenting more complex situations could gradually be brought into the study.

1.3 Organization

A permanent team is essential, initially to be composed of two specialists who would be supported by a third when the work progresses to the more complex stage toward the end of the first year. This team will be responsible for directing the design and organization of the studies in each country, and supervising and assisting in their development, based on a study plan of regional scope for which the Working Group has prepared the broad guidelines.

To perform the field work, it will be necessary to contract the services of national experts in each country who have experience with the National Accounts and, in some cases, with census and sampling techniques. The Organization will purchase the work of these experts, under performance contracts under the direction and supervision of the permanent team described above.

1.4 Action

First, constitution of the initial supervisory team. It will be necessary for this purpose to appoint the staff officer of the Organization who is to head the team and to contract the specialist who will be a part of it.

Second, steps must be initiated to begin the work simultaneously in not more than three countries. Tentatively, these could be Honduras, Ecuador, and Chile.

2. Standardization of Information Through the National Accounts

2.1 Objective

Establishment of systems supplementing the National Accounts that will make it possible in the future to obtain regular and continuing information, separating the expenditures and financing of the health sector.

2.2 Methodology

On the basis of information on sectoral expenditures and financing obtained from the program described above, an effort will be made to encourage reformulation of the social accounting systems so as to include in them a complementary system of accounts for the health sector. This task requires joint effort in each country on the part of the institutions participating in preparation of the national accounts, or, in other words, institutions in both the health sector and the national planning office, and presupposes that certain innovations in the established accounting systems will be instituted. For these reasons, a task that is technically simple and easy to accomplish may in practice require more complicated processes. The Organization's task, under the direction of that same permanent team mentioned, will be primarily one of promotion and provision of technical advice. On the latter point, the team will be able to count on the help of the national experts who have been participating in the financing and cost study.

In general, the work of standardizing information will follow as a supplement to the study of financing and expenditures. However, the tabulating tools envisaged for this study can be so designed as to make it possible to obtain both results simultaneously; that is, the actual data on financing and expenditures and the necessary classifications to operate the complementary system of accounts for the sector. For this reason, when the situation indicates, both tasks can be organized jointly.

2.3 Organization

Given the purely promotional and technical advisory functions of the Organization in this instance, the work must be organized on the basis of

requests for technical assistance from each country, based on the fact that the work itself will be carried on by the appropriate national institutions, with the technical support of the Organization. Such technical support may take two forms: advisory services supplied by the directing team at the stage when the project is being organized and initiated, and support that can be provided by experts, supplied by the Organization under contract.

2.4 Action

To explore possibilities of setting up the appropriate organization in one of the countries in which the financing and expenditure study will be carried out.

3. Cost, Cost-efficiency and Cost-Benefit Studies

3.1 Objective

To determine the cost of operating and producing services, as a judgment element in obtaining increased efficiency in use of resources, employing more efficient production functions, and preparing development projects in the sector that will be more productive in social benefits.

3.2 Methodology

Costs determination is a task that must be performed at the level of the establishments concerned, and by specialized staff. Very little has been done in the Region in this field and the qualified manpower is correspondingly scarce. It is evident, therefore, that maximum attention at the outset must be given to the work of disseminating the essential specialized knowledge, as well as promoting the corresponding studies. In other words, the task is to help create the demand for cost studies in the various countries and at the same time encourage the formation of qualified manpower to meet the demand. This is the task the Working Group had in mind when it recommended establishment of a Permanent Instrument at Headquarters to assume responsibility for the work in this area.

3.3 Organization

The Permanent Instrument mentioned above must initially consist of a staff officer qualified to assume the respective responsibility. This officer is the organizational nucleus needed to activate the project. His duties will be:

- To locate qualified persons who may be available in the area to cooperate in the project

- To foster initiation of cost-studies in the various countries and to supply such countries with technical advisory services, keeping in mind the need to prepare qualified staff when organizing the studies to be initiated
- To prepare guidelines that will assure comparability of results.

3.4 Action

Contract the services of an officer to assume responsibility for the duties outlined.

Annex

PAN AMERICAN HEALTH ORGANIZATION

CE72/7 (Eng.)
ANNEX



WORKING GROUP ON PROGRAMS FOR INVESTIGATING THE FINANCING, EXPENDITURES AND COSTS OF THE HEALTH SECTOR

WORLD HEALTH ORGANIZATION

WASHINGTON, D C , 3-7 DECEMBER, 1973

REPORT TO THE DIRECTOR

INDEX

	<u>Page</u>
1. PARTICIPANTS	iii
2. INTRODUCTION	1
3. GENERAL CONTEXT	1
4. SECTORAL EXPENDITURE AND FINANCING STUDIES	7
4.1. <u>Instrumental Objectives</u>	7
4.2. <u>Suitable Methods of Implementation</u>	7
4.3. <u>Critical Resources, Organization and</u> <u>Participation of PAHO</u>	11
5. COST STUDY	12
6. COST-BENEFIT ANALYSIS	13
7. TIMETABLE	14

ANNEX I RESOLUTION XIII OF THE XXI MEETING OF THE PAHO
 DIRECTING COUNCIL

1. PARTICIPANTS

Chile

Dr. José B. Vera L.
Council of Rectors of the
University of Chile

Ecuador

Dr. Alfonso Aulestia
Central Bank of Ecuador
Quito, Ecuador

México

Licentiate Lucila Leal de Araujo
Mexican Social Security Institute
México, City, México

PAHO Secretariat

Dr. Abraham Horwitz,
Director

Dr. Charles L. Williams Jr.,
Deputy Director

Dr. Alfredo Arreaza Guzmán
Assistant Director

Dr. José Luis García Gutiérrez,
Chief, Department of Special
Technical Services

Dr. Juan José Barrenechea,
Chief, Planning and Evaluation Unit

Dr. Bernardino Villagra
Health Services Department

2. INTRODUCTION

At its XXI Meeting the Directing Council of the Pan American Health Organization adopted Resolution XIII recommending that the Organization should cooperate with the member countries in bringing their policies into line with the goals of the Ten-Year Health Plan for the Americas, in determining the present financing of investments in health and the changes needed to implement the Ten-Year Health Plan for the Americas, and in initiating cost studies and, if possible, cost-benefit studies in the areas with the largest investments.^{1/}

In order to carry out the recommendations of this Resolution regarding financing and cost studies, the Director convened three experts to meet at the Headquarters of the Organization in Washington from 3 to 7 December 1973, in order to discuss and make recommendations on the approaches and methods most likely to promote the development of such studies in the countries of the Region.

After being welcomed by the Assistant Director of PAHO, who stressed the importance of this research as a means of improving the efficiency of the health sector in the countries of the American Continent and of ensuring better implementation of the Ten-Year Health Plan for the Americas, adopted by the Ministers of Health in their III Special Meeting in Santiago, Chile, in October 1972, the Group began its deliberations.

The Group had nine meetings and produced the Report which follows:

3. GENERAL CONTEXT

In the light of the background material presented by the Secretariat and having regard to the text of Resolution XIII of the Directing Council and the Ten-Year Health Plan for the Americas, the Working Group understood that the basic problem before it was to give a satisfactory reply to the following question asked by the Ministers at their III Special Meeting:

"In view of the magnitude of the costs involved in the Ten-Year Health Plan for the Americas, and having regard to the considerable and in some cases growing difficulties that

^{1/} See Annex I, Resolution XIII, Points 6, 7 and 8.

governments must overcome in order to finance even current activities in the sector, what models, mechanisms, sources and schemes would be most helpful in obtaining and ensuring finance to develop the sector?".

In analyzing this question the Group came to the conclusion that it reflects a contradictory and disturbing basic problem, namely, that notwithstanding formal recognition of the principle that health is a fundamental human right, national practice gives the health sector a lower priority than this principle would warrant and, consequently, the resources it receives are insufficient to guarantee minimum coverage of health services for the entire population.

In the light of the realities of this situation the Group believes that the question just quoted is a mis-statement of the problem, which is not just one of seeking new financing schemes or models but something much deeper. It is in fact a problem of values, and, beyond them, a problem of political decisions which each country must take in accordance with its own values and circumstances.

On this premise and having regard to the advisory and public service role of PAHO, the Group believes that the problems of adequate financing and development of health in the Region are best expressed by the following question:

"What would be necessary to make countries give such high priority to the development of health to ensure that coherent and well founded health development projects will be adequately financed?".

This question is answered at two different levels:

First, since all countries agree to regard health as a fundamental human right, the general regional context within which each country will be able to identify its own sectoral priorities and allocate its resources accordingly must be defined.

Secondly, if we accept the principle that "a good project does not have to seek financing, since the financial resources are permanently in search of good projects", the health sector authorities in the various countries must be trained to compete on an equal footing with other sectors for the same resources, through the introduction of basic criteria of economic rationality and efficiency in the day-to-day management of the sector and in the drafting of health development projects.

As a contribution towards establishing the general (regional) context within which the specific health policy of each of the countries of the Region can be inserted, the Group proposes that the following considerations be borne in mind:

It is a fact in the countries of the Region, even the relatively most developed ones, that the coverage of the health services does not extend to the entire population. For this reason and having regard to the universally accepted principle that health is an inalienable human right, the main goal of the Ten-Year Health Plan for the Americas was defined as the extension of minimum coverage of the health services in all countries of the Region to those sectors of the population which are not so covered at the present time.

This goal may be achieved within the present decade if the countries genuinely endorse the above-mentioned universal principle that health is an inalienable human right. Implementation of this principle is expressed in the following two ways:

First, societies agree that the obligation to provide at least minimum health coverage to the entire population is an imperative social responsibility.

Secondly, the financing of this obligation is also imperative, and it is recommended that countries should analyze the institutional structure of the health sector with a view to evaluating and defining the agencies and institutions needing and deserving to be reinforced, so that the human, material, financial and organizational resources necessary for the proper discharge of that obligation can be distributed among them.

Acceptance of these obligations logically entails a political decision in each country, and their fulfillment implies more or less substantial sacrifices according to the relative scarcity of the resources needed. For this reason it is also the imperative duty of the health sector to use the scanty resources it receives from society as efficiently as possible in accordance with its own goals and the country's overall resources.

The efficiency of the health sector can be described in relation; to external and internal elements.

"External efficiency" means efficiency in caring for the health of the population.

"Internal efficiency" means the productive and rational use of the resources available.

Recognition of the need for internal and external efficiency also involves the following two types of considerations:

First, management of the health sector usually leads to two kinds of revenue redistribution, which may be significant:

- i) Redistribution in favor of the lowest-income sectors of the population, in cases where the health service is free of charge or partly so;
- ii) Redistribution in favor of the factors involved in the sector's output;

Secondly, management of the sector has considerable economic implications, at the following levels:

- i) All expenditure on health can be regarded as an investment in each nation's human capital and, consequently, as investment expenditure and not consumer expenditure.
- ii) From an economic standpoint the activity of the health sector resembles an industry or a group of enterprises exerting demand pressure on certain inputs derived from the production of specified enterprises or individuals whose remuneration or payment makes it possible to strengthen consumption and savings capacity and, consequently, internal demand.

Regarding the need to introduce criteria of economic rationality and efficiency in the day-to-day management of the sector and in the drafting of health development projects, the Group felt that, as a necessary and urgent addition to the many valuable programs being conducted by PAHO in the various countries, and without prejudice to the technical, administrative and political efficiency criteria obtaining in each country, the expenditure, cost, cost-efficiency and cost-benefit studies recommended in this Report should be carried out and the findings disseminated in the member countries until the desired goal is achieved.

Carrying out these studies would make it possible to meet the need mentioned above in the following ways:

First, it would provide the basic information and the evidence necessary to establish in a continuous and more accurate way the economic relevance of the activities in the health sector, their composition and characteristics, their purpose classified by function and economic category of expenditure, their productivity and what needs of the various sectors of the population they meet, and also the population sectors covered. With all these elements it is possible to design a group of pictures of the main economic and social expressions of the activities of the health sector, which would permit evaluation of their most important quantitative aspects and, by implication, in some of their qualitative aspects.

The importance of having these descriptions of the sector is that it enables one to determine the relative importance of the sector among

national economic activities, in relation to the public sector as a whole and the social aspects, and in relation to the various activities of the private sector.

Besides these comparisons others are possible at international level. Thus it would ultimately be possible to identify and evaluate the health sector both intrinsically and in relation to other significant national and international activities.

The foregoing should result mainly from the sector expenditure and financing study recommended below.

Secondly, the cost-efficiency analyses proposed in the relevant chapter are seen as one of the instruments in the effort to be made by countries on various fronts to ensure better utilization of the resources now used in the health sector. These analyses, which will naturally be based on the cost studies that countries are also recommended to undertake, could be used to measure and evaluate the economic efficiency with which they are using their resources in order to achieve the goals and objectives they have set themselves and, consequently, would give them the broader quantitative evaluation basis they need in order to seek more efficient methods of achieving these objectives.

Thirdly, the cost studies which are proposed and which are designed for ascertaining and analyzing the costs of alternative production functions would give countries the necessary basic instruments for deciding on the best technological solutions and for allocating available resources among their different programs in accordance with these solutions (production functions), which are considered more consistent with their constellation of resources and with the sector priorities system based on criteria of economic rationality and efficiency.

Fourthly and lastly, the cost-benefit analyses that could be carried out when studies of the costs of alternative production functions are available, would enable countries to choose the most economical and efficient ways of developing their health systems.

The anticipated results of the combination of the four operations just mentioned would, hopefully, lead to the introduction of criteria of economic rationality and efficiency in the operation of the sector.

Obviously, however, this outcome amounts to an objective of an instrumental nature. What is important is the relevance of this objective to the functioning and development of the health sector. To sum up, this relevance consists in the health sector being able, thanks to the incorporation into its operation of such criteria of economic rationality and efficiency, to acquire a broader evaluation basis for finding the answer it seeks to the fundamental problem of financing. For this

purpose it would have, in the first place, new systems for the organization and administration of its resources, which would guarantee greater productivity and, secondly, on the above-mentioned efficiency basis, the overall operation of the sector and its development projects would be conceived, formulated, measured and evaluated in the universal language of economic rationality and efficiency, which would also permit more accurate evaluation of the origin, scale, nature and use of the sector's resources, its productivity level and the relationship between its costs and the degree of achievement of the goals and objectives on which its action is based.

Once this data is obtained, which would permit closer identification of the economic relevance of the sector's activities, the development of the sector will benefit in the following ways:

- i) The health sector would begin to compete for available national resources on equal terms with the other sectors of social and economic activity, since both its goals and its requirements would have been determined and would be expressed according to the same criteria of economic rationality and efficiency that influence resource allocation generally;
- ii) With this homogenous comparison basis the assessment of the relative value of the health objectives would cease to be subject to economic restrictions and would depend entirely on the social relevance of health to the population, i.e. the intrinsic value of health to the human group judging it; and
- iii) Accordingly, if the shortage of the resources available entails reductions in the scale of the goals and objectives, such reductions would be the result of explicit judgements as to the relative value of health, and not, as has been the case until now, of the economic or "economistic" assessment of this value, which is by definition intuitive and therefore probably arbitrary.

To sum up, the introduction of criteria of economic rationality and efficiency in the operation and development, as described above, of the health sector would mean adapting it fully to the terminology and the system of conventions within which decisions are taken on resource allocation. This would free the health sector from the exclusive technical confines within which it has developed in the past. Without falling into trivial "economism" it would become assimilated and integrated into the complex system of each country's other social and economic activities and, consequently, would free itself to some extent from its traditional economic limitations, since its future development would become geared

basically to the specific relative value attached by society to the health of its population.

4. SECTORAL EXPENDITURE AND FINANCING STUDIES

4.1. Instrumental Objectives

With regard to the expenditure and financing study of the health sector the Group defined the instrumental objectives for achieving the aims of Resolution XIII as follows:

- Ascertaining the present financing of the investments countries are making in health, so that the health authorities will have the information necessary to rearrange their priorities in accordance with the goals and objectives of the Ten-Year Health Plan for the Americas, to allocate their resources in accordance with such priorities and to obtain financing from the sources most suitable for each country in accordance with the relative importance of the various programs and their goals and objectives; and
- Carrying out concurrently, in a few selected countries, experimental applications of the method recommended below for ascertaining expenditure on health, with a view to incorporating the necessary classifications into the methodology for the preparation of national accounts so that these will include and differentiate between, in a regular and continuous manner and as a complementary system, the separate information on expenditure and financing in the health sector.

Having attained these instrumental objectives, supplemented by the finding of the cost and cost-efficiency studies discussed below, the health authorities of the various countries would be better able to allocate the resources of the health sector to the different purposes of its programs, in accordance with basic criteria of economic efficiency, together with criteria of social efficiency, and consequently to increase their ability to negotiate additional resources for the sector.

4.2. Suitable Methods of Implementation

With regard to the implementation of the studies aimed at ascertaining the present financing of investments in the health sector and the financing of their experimental application in a few countries,

the Group felt that the studies in question should have functional and regional coverage and that, after processing, this coverage should be spelled out in a set of matrices described below.

Institutional-functional coverage would be obtained by arranging the design of the matrices in such a way that the fixed vector will reflect the institutional and functional structure prevailing in the countries, while the information variables will consist of the functions for which the sector components are responsible, the original sources of financing, the functional and economic use of available resources and the structure of the real resources and of production in terms of goods and services.

The Working Group unanimously recommended that the functions enumerated and grouped in the Ten-Year Health Plan for the Americas approved at the III Special Meeting of Ministers of Health of the Americas, be adopted as the functions of the health sector, and that, to ensure international comparability, the matrices, when they reflect the realities of countries for which full information is available, should present these realities in full and in the same order as in the document in question.

It also recommended that if any in-depth national studies are carried out, such studies should be expanded or should include other program areas which would add to the panoramic picture the degree of detail thought necessary for each study.

On the basis of these recommendations the following set of matrices is proposed:

Matrix No. 1.

"Composition and Functions of the Health Sector: Present Situation", the purpose of which is to reflect the range of functions for which each country's institutional structure is responsible, involving a principle of qualifications or hierarchical arrangement of the functions.

Matrix No. 2.

"Origins and sources of Financing", which will show the main types of revenue received or collected by the institutions of the health sector, whether of domestic or international origin, which will determine their degree of financial dependence or autonomy in relation to specific centers of administrative, political or financing decision.

Matrix No. 3.

"Expenditure by Functional Classification", which, in conjunction with the production matrix, will make it possible to establish the unit costs of each function, which will facilitate planning operations and ascertaining the efficiency of services, if the matrices are prepared for each component unit of the sector for purposes of comparison.

Matrix No. 4.

"Expenditure by Economic Classification", which will provide information mainly linked with national accounts and intended to measure the health sector's contribution to the gross domestic product. Together with other information elements, this would facilitate projections of macroeconomic variables for purposes of planning with a view to securing the achievement of program goals. In this connection the Group stressed the importance of ensuring the systematization and continuity of this information, as in the case of the national accounts, with a view to facilitating periodic evaluation of the sector, and the implementation of the national and regional health plans.

Matrix No. 5.

"Real Resources of the Health Sector: Infrastructure, Human and Asset Variation Resources", which will present in physical terms the resources available to the sector in order to operate on the necessary scale and ensure the necessary quality.

Matrix No. 6.

"Production of the Services in Relation to the Socioeconomic Strata Served and Population Influence Areas". This will show quantitatively the number of persons cared for and the volume of services provided to the community in each of the functions for which the component agencies of the sector are responsible. From this matrix, in conjunction with the preceding one, it will be possible to infer the productivity and efficiency of the real resources employed.

- Regional coverage of the proposed study will be ensured by means of simultaneous and/or successive investigations having the following characteristics:

- Global Investigation

This overall investigation, which will make it possible to establish the scale composition, use and financing of sectoral expenditures in a representative number of countries should consider the following aspects:

- The study should include the countries of greatest significance as regards population size, ratio of gross domestic product to regional total, and sectoral complexity and participation.

In view of the aspects described an effort should be made to include between 90 and 95% of the health sector's expenditures and financing in the regional context.

- In-depth Investigation:

This will be done for selected countries in accordance with special feasibility conditions they now present. In these countries the investigation will be done by a multi-professional national group, advised in each case by the "minimum team" to be organized by PAHO. A further purpose of the investigation will be to incorporate in the methodology for preparing national accounts the classification necessary for the inclusion in those accounts, as a "Complementary System", of the separate information on health sector revenue and expenditures, its financing and capital formation, and other accounts and statistical tables providing the information required for planning and decision-making, correlated with other sectors of the national economy.

For the purpose of carrying out the experimental application of the method in selected countries, it will be necessary to design and execute the following phases leading to the presentation of findings in the matrix form mentioned above:

- Ascertaining the scale and characteristics of the institutional structure of the health sector, of its operational capacity and ability to receive and meet requests for information, and of the basic statistical data available on the sector, in order to apply the most appropriate method of collecting required information;
- Organizing, directing and advising the national group which is to carry out the field work in accordance with a timetable to be prepared;
- Drafting blanks and worksheets on which the basic information will be compiled, in accordance with the instructions to be drawn up for the purpose by the international body of advisors which, in certain cases, will have to solve unforeseen problems;
- As far as possible the blanks will be precoded to facilitate processing by computer equipment, if their use is considered necessary;

- Similarly, the blanks will make it feasible to carry out statistical criticism and consistency and representativity testing of the data collected before tabulation begins;
- The resultant tabulations will finally be entered in the matrices described above, which will be combined with those prepared for the other groups of countries in order to provide information respecting the entire Region.

The basic statistical tables and the respective matrices prepared for the countries in which the experimental applications of the method are to be carried out will constitute the reference framework for use in similar operations in other countries, in which, once information on the health sector is available, the investigation would have to be carried out by the "minimum team" which it is recommended that PAHO organize.

The even more aggregative studies that would be necessary in the case of countries with a more complex health sector will also have to be carried out by the same team, but the problems and peculiarities of each country will have to be taken care of in the light of previous experience, with a view to obtaining the matrices described above.

At the beginning, during part of and at the conclusion of each national study it is suggested that "the minimum team" should be present to ensure the representativity of the study and, consequently, of the entire study recommended by the III Special Meeting of Ministers of Health of the Americas.

To ensure continuity of operations in the future, the national counterparts, especially the institutions assuming responsibility for drawing up the complementary system of social accounts of the health sector, forming an integral part of the system of national accounts, will have to be sufficiently trained in carrying out the work, having for this purpose a methodology manual to be drafted by the "minimum group" and disseminated by PAHO. For the remainder of the present decade PAHO itself will have to become a technical advisory agency in this field, which will even engage directly in instructional activities by providing ad-hoc courses for the personnel preparing the relevant national studies each year. Alternatively, PAHO will be able to discharge this function by making arrangements with specialized bodies to provide these courses.

4.3. Critical Resources, Organization and Participation of PAHO

In the light of experience acquired in previous revenue and expenditure studies the Group is of the opinion that these should not

be entrusted solely to international expert groups. The fact that each country has its peculiar features makes it necessary to use specialized professionals of the same country, who not only have access to the sources but also know the meaning of national nomenclatures and classifications.

We believe that the country specialists on "national accounts" are best qualified to carry out these studies in cooperation with the professionals of the main health sector agencies with specific responsibility for the subject.

Nevertheless, the need to obtain studies comparable at regional level would warrant the creation of a minimum team supervised and engaged by PAHO, whose principal function would be to design the regional analysis plan, to direct the designing and organization of investigations in each country and to supervise and assist their implementation.

We also think it profitable to adopt the procedure of recruiting the services of the national professionals just mentioned.

PAHO should encourage countries to take an interest in this study and should use the machinery at its disposal to facilitate collaboration in the investigation by health ministries, social security systems and other principal agencies.

The Group recognizes that each of the countries in which the experimental applications of the method are carried out presents different characteristics, which make it advisable to approach each case in the light of its own circumstances. Since the initiative implies specific advisory activity PAHO will have to deal in each country with the appropriate health sector authorities and, through them and in accordance with current local practices, with the other agencies involved.

5. COST STUDY

The Working Group, after considering the various connotations of the general cost studies used in practice as elements of information and cost control for the services classified by department and type of input, or as elements in the subsequent assessment of the production functions, and those relating to the calculation of unit costs, which make it possible to carry out projections facilitating the task of sector planning, agreed that cost analysis, by permitting comparison of the production functions of homogeneous services, is an excellent means of establishing their differential efficiency motivating the incorporation of technologies to improve the efficiency of the services.

Since the sector lacks adequate financing, the demand for development resources obliges it to demonstrate its economic efficiency. This can only be obtained from an analysis of cost accounts kept in accordance with proper guidelines, as in the case of productive and profit-making activities. Unfortunately these guidelines are not adhered to in all fields and services of the health sector, but this does not exempt it from being aware of such accounts.

The Group, reiterating that analyses of production functions, especially real analyses, constitute the best means of significantly changing the efficiency and rationalized management of the health services, and bearing in mind that these studies must be correlated with the analyses of the sectoral health systems so that they will be fully conducive to increasing the efficiency of the goods and services supply of these systems, unanimously recommended the following:

- The designing and carrying out of these cost studies must be consistent and concurrent with those of the analyses of the goods production and services supply system of the health sector in which they are applied.
- The criteria determining priority in the selection of health sector areas and institutions in which to carry out these studies will obviously depend on the efficiency problems peculiar to each country's health sector, but the Working Group nevertheless recommends to bear in mind in this selection the main objective of extending the coverage of health services, as defined for the present decade by the Ministers of Health of the Americas.^{1/}

6. COST-BENEFIT ANALYSIS

In connection with the cost-benefit analysis the Group recognized the importance of the link between this analysis and the cost-accounting studies and the derived production function studies; its importance lies in the fact that these are useful, though one-sized, instruments for justifying the execution of projects to establish an infrastructure or new services or to improve those already existing, in relation to the economic and social benefit their operation is expected to yield.

^{1/} Official Document No. 118, Ten-Year Health Plan for the Americas. Final Report of the III Special Meeting of Ministers of Health of the Americas (Santiago, Chile, October 1972).

Because of the well-known measurement problems presented by the quantification of the economic and social benefits of health, the Group emphasizes that this instrument is effective only when it is applied to compare the usefulness of homogeneous services or projects.

For these reasons it is suggested that higher priority should be given to cost-efficiency studies than to cost-benefit studies based on the relationship between what is spent in providing a service and the production quantum the service is expected to yield, which is, of course, conditioned by a constellation of administrative and other factors, linked to the utilization and profitability levels of real and financial resources prevailing in the Region.

In many cases the increased coverage or extension of the services could be obtained by creating surpluses on the basis of improvements achieved by expenditure and administration rationalization measures based on the cost-efficiency analysis.

At the same time, on the basis of such studies and others suggested in the Report, it will be possible to make functional redistributions within the sector, i.e. structural changes in the system, aimed at making the sector play its primordial role, that of being a social service.

Lastly, in order to make these studies more viable, the Group agreed to suggest the setting up of a permanent instrument at the Headquarters of PAHO, so that it would assume responsibility for implementing certain aspects itself and directing, supervising and integrating the others, and for promoting such studies in the different countries of the Region if they so request.

7. TIMETABLE

Part of the studies and activities recommended in this Report, especially the cost studies and cost-efficiency studies and the promotion and support of these studies by PAHO, will presuppose permanent activities properly organized in a wide-ranging program. All that can be said regarding a timetable for such activities is that they should begin as soon as possible.

For this reason the timetable forecasts made below refer only to the recommended studies of health sector expenditure and financing, both

the studies aimed at quantifying the situation at regional level and those involving the experimental application of the method in selected countries.

The ultimate objective of these studies is twofold. They are intended, on the one hand, to provide full and detailed information about the scale, composition, use and financing of the health investments made by the countries of the Region and, on the other, to modify and supplement the methods now used in the various countries for preparing the national accounts so that, in the future, countries will be able to obtain regularly each year the necessary information as to the scale, composition, etc., of their expenditure on health.

This second objective implies institutional changes in structures and in the information flows from the health areas, social accounts and planning, and is therefore an objective whose full attainment is conceivable only in the long term. Moreover, since the first objective is partially an input of the second, the two of them are interrelated in the form of a process which, although it will deliver an end product in the long term, must also yield results in the short and medium terms.

With these qualifications and assuming that a substantial part of the end or long-term product will be available soon enough to be used in planning the health goals for the coming decade, i.e. towards the end of 1980, the timetable for the studies mentioned in the Report could be as follows:

Once PAHO has the necessary resources, which is assumed speculatively and by way of illustration only to be possible on 1 January 1974, the anticipated results would be as follows:

- In the short-term:

- December 1974, full results of the expenditure and financing study for a few selected countries with a unitarian political organization and centralized administration.
- June 1975, full results of the first experimental applications of the method.

- In the medium-term:

- Between January 1975 and December 1976, full results of the expenditure and financing study in the remaining countries.
- December 1976, full results at regional level of the expenditure and financing study, so that it will be available for use as a basis in evaluating the Plan to be made in 1977.

- In the long-term:

- Between June 1975 and December 1980, full results in a number of countries of the process of modifying national accounts methods so that the relevant systematized information can serve as a basis in determining the health goals in the coming decade, and in subsequent evaluations of these goals.

ANNEX I

RESOLUTION XIII OF THE XXI MEETING OF
THE PAHO DIRECTING COUNCIL

RESOLUTION XIII

REPORT ON THE III SPECIAL MEETING OF MINISTERS OF
HEALTH AND STEPS NECESSARY TO IMPLEMENT THE
DECISIONS ADOPTED

THE DIRECTING COUNCIL,

Having heard the statement by the Director of PASB on the
III Meeting of Ministers of Health of the Americas, held in Santiago,
Chile, 2-9 October 1972; and

Considering that the recommendations made by the III Meeting
of Ministers of Health of the Americas constitute valuable guide-
lines on the direction to be taken by the programs of the countries
during the next decade,

RESOLVES:

1. To incorporate into the Organization's policy the recommen-
dations of the III Meeting of Ministers of Health of the Americas,
held in Santiago, 2-9 October 1972.
2. To request the Director of PASB to study the implications
of the recommendations of the III Meeting of Ministers of Health,
and the consequent modifications of objectives and priorities in
the program of the Organization, and to report thereon to the XXII
Meeting of the Directing Council.
3. To recommend to the countries that, within their planning
process, they identify the priority health problems and establish
objectives for each of them in accordance with the manpower, physical,
and financial resources available, taking into account the regional
health goals.
4. To request the Director of PASB to convene as soon as possible
a working group of personnel responsible for planning and information
and of health economists, with a view to designing an evaluation
system that can be adapted to the unique conditions of the countries
and still be flexible enough to give comparable results, which in
turn will make possible a continent-wide evaluation of the achieve-
ments of the decade.

5. To recommend to PAHO that, in consultation with experts of the countries, general guidelines be drawn up for determining the present financing of health investments and the changes required to carry out the plans and programs envisaged in the Ten-Year Health Plan for the Americas, 1971-1980.
6. To suggest to the health authorities of the countries that they initiate cost studies of their health services and, when they deem it possible, cost-benefit studies, particularly in areas with the largest investment.
7. To recommend to PAHO that it prepare the necessary designs to ensure comparability of the cost studies.
8. To recommend that PASB furnish advisory services to countries requesting them, in all matter relating to the financing of the health sector, for example: the financial analysis of the sector, analysis of health expenditures, programming of investments, management and financing of specific projects and of external credits, so that the countries will gradually come to know what financial resources are earmarked for health and how they are related to the benefits obtained.

(Approved at the sixth plenary
session, 12 October 1972)



EXECUTIVE COMMITTEE OF
THE DIRECTING COUNCIL

PAN AMERICAN
HEALTH
ORGANIZATION

70th Meeting

WORKING PARTY OF
THE REGIONAL COMMITTEE

WORLD
HEALTH
ORGANIZATION



70th Meeting

RESOLUTION VII

REPORT ON THE III SPECIAL MEETING OF MINISTERS OF HEALTH AND STEPS NECESSARY TO IMPLEMENT THE DECISIONS ADOPTED

THE EXECUTIVE COMMITTEE,

Having heard the preliminary report of the Director (Document CE70/7) on the steps being taken to implement Resolution XIII of the XXI Meeting of the Directing Council of the Pan American Health Organization;

Considering that it is primarily the responsibility of the countries to adopt the necessary measures to formulate or revise their health policies for the purpose of achieving the goals of the Ten-Year Health Plan for the Americas; and

Bearing in mind that the objectives and priorities of the Organization's program must also reflect the goals of the Ten-Year Health Plan so that it can most effectively assist the Governments to meet these objectives,

RESOLVES:

1. To take note of the preliminary report of the Director (Document CE70/7) on the steps the Organization is taking to implement Resolution XIII of the XXI Meeting of the Directing Council of PAHO.

2. To urge the countries to review their health policies and adjust them to the goals of the Ten-Year Plan, in the light of the national health situation and the resources available, and in line with the requirements of economic and social development.

3. To request the Director to assist the countries in (a) defining their policies and objectives and in establishing a permanent system and appropriate methodology for evaluating the results; and (b) carrying out studies required for the Ten-Year Plan on income, costs, and financing of health services.

4. To request the Director to report to the XXII Meeting of the Directing Council on the progress achieved in this important matter.

(Approved at the tenth plenary session,
27 July 1973)



DIRECTING COUNCIL

PAN AMERICAN
HEALTH
ORGANIZATION

XXII Meeting

REGIONAL COMMITTEE

WORLD
HEALTH
ORGANIZATION



XXV Meeting

RESOLUTION VI

OBJECTIVES AND PRIORITIES IN THE PROGRAM OF THE ORGANIZATION
IN THE LIGHT OF THE RECOMMENDATIONS OF THE III SPECIAL
MEETING OF MINISTERS OF HEALTH OF THE AMERICAS

THE DIRECTING COUNCIL,

Having heard the report of the Director on the steps being taken by the countries and the Organization in compliance with the provisions of Resolution XIII of the XXI Meeting of the Directing Council of PAHO (Document CD22/17);

Bearing in mind the position taken by the Ministers of Health to the effect that, if the goals of the Ten-Year Health Plan are to be met, it is essential for each country to define a policy consistent with its economic and social development, clearly specifying the objectives, strategies, and programs for attaining them; and

Considering that, pursuant to Resolution XIII, the Director convened a Working Group on Evaluation of the Ten-Year Health Plan, whose report stated that the process of evaluating the Plan will depend on the way in which the national health policies are defined and that it should reflect the effort made by the countries and the progress achieved in solving their priority health problems,

RESOLVES:

1. To urge Governments to continue, and if possible intensify, the review and formulation of their health policies during the current year, and to draw up and develop their priority programs.

2. To recommend to the Director that he continue to render to the countries the collaboration of PAHO in these activities.

3. To request the Director to put into effect the recommendations concerning studies of costs and financing of the health sector contained in Resolution XIII mentioned above, and that he keep the Governments informed on the results of the programmed activities and on the experience of the countries.

4. To request the Director to take the necessary steps so that the documents relating to evaluation, including those resulting from the experience of the countries until 1 May 1974, be the subject of special consideration during the 72nd Meeting of the Executive Committee, and that countries desiring to do so participate in the discussion by sending observers.

(Approved at the tenth plenary session, held on
15 October 1973)