Department of Health HP Notes Health Policy Notes

Health Policy Notes

Volume 2: Issue 2 (August 2008) | Department of Health, Manila, Philippines

Use the DOH budget to achieve health outcomes through leveraging LGU performance

Health sector performance needs to be accelerated in order to achieve target health outcomes

The Millennium Development Goals (MDGs) related to health and National Objectives for Health (NOH) will not be achieved given the current progress. The rates of both maternal mortality and child mortality have been declining very slowly (DOH, 2008a). Over half of Filipinos remain malnourished (DOH, 2008b). The Philippines ranks high among countries with high burden of tuberculosis (DOH, 2008c). Access to essential drugs remains limited (DOH, 2008d).

To address these concerns, health sector efforts need to be accelerated. Saving mothers, newborns and children should be undertaken through a concerted strategy. Addressing malnutrition among these vulnerable groups should be intensified. Tuberculosis should be combated more vigorously in order to prevent its spread. Access to essential drugs needs to be ensured.

Financial resources are necessary to make this happen

This year the Department of Health (DOH) is entitled to a P19B budget. However, even this is not enough to achieve target outcomes.

The total DOH budget represents only one-tenth of the sector's total resources—P180B in 2005, as the latest Philippine National Health Accounts (PNHA) indicate (see Table 1). The DOH is key to steering these resources into effective actions towards achieving target health outcomes.

The DOH should take leadership in ensuring that health sector resources are moving towards a coherent national strategy for health. The DOH budget should be used to leverage LGU performance since, given a devolved set-up, health programs are effectively executed by the local government units.

The DOH budget is currently limited in its ability to leverage LGU performance (Solon, 2008)

Difficulties are encountered in translating strategic thrusts into budgetary terms.

Key to implementing accelerated strategies is translation of priority thrusts into actual financial plans. While the Province-wide Investment Plans for Health (PIPH) defines explicit alignment of national and local health goals, there is tension in the relationship between Central Office guidelines and local priorities. Prioritization is not apparent in the National Investment Plan for Health (NIPH). While Public Finance Management systems are undergoing improvement, the DOH is not yet fully compliant with standards and LGU partners are in varying stages of compliance. The 2008 Program Implementation Review (PIR) for Policy and Standards Development Team (PSDT) and Sectoral Management and Coordination Office (SMCO) introduced a sector and interdisciplinary approach to programs but the recommendations have not yet been translated into budget execution terms.

Fixed inputs and fixed locations limit flexibility in the use of DOH money.

Over the years, Personal Services (PS) comprise about half of the DOH budget and Metro Manila receives about half (45%) of the total budget for hospitals. Because much of the DOH budget remains fixed, moving money to accelerate interventions and implement innovative strategies is a challenge.

Table 1. Sources of health expenditures, Philippines, 2005

Source of funds	Amount (in million PhP)	% of total
Government sources	**51,922**	**29**
National	28,651	16
Local	23,271	13
Social insurance	**19,899**	**11**
PhilHealth (Medicare)	19,253	11
Employees' compensation	646	0.4
Private sources	**106,848**	**59**
Out-of-pocket	87,508	48
Private Insurance	4,344	2
HMOs	7,082	4
Employer-based plans	5,755	3
Private schools	2,158	1
Other sources	**2,102**	**1**
All sources	**180,772**	**100**

Source of data: NSCB, 2005.

Choice of expenditures is not clearly linked with performance.

It is not clear whether expenditures are allocated based on need or on performance. For example, TB drugs are distributed to some Metro Manila cities because of need while TB drugs are also being distributed to other cities because of effective performance in fighting TB. Rationality of expenditure choices based on target performance is difficult to gauge.

DOH budget is not fully utilized.

This year, the Department of Health (DOH) is entitled to a P19B budget. The total DOH budget represents less than one-tenth of the sector's total resources—P180B in 2005, as the latest Philippine National Health Accounts (PNHA) indicate (see Table 1). Table 2 shows that in the past years, the DOH budget has not been fully utilized. Meanwhile, the share of local government expenditure has been going down over the years (Figure 1).

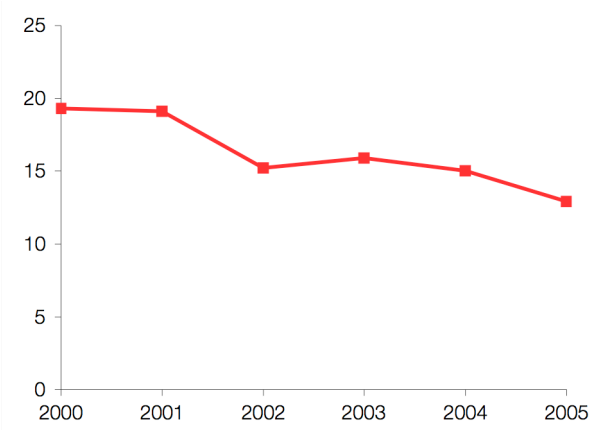

Figure 1. Proportion of LGU health expenditures to total health expenditures, Philippines, 2000-2005

Source of data: NSCB, 2005.

Spending cannot be tracked to the LGU level.

The Central Office is unable to determine how its funds are being used when they reach the LGUs because expenditure tracking stops at the CHD level. Also missing is complete information on the utilization and impact of sub-allotted funds from the Central Office to Centers for Health Development. It is much more difficult for the DOH to observe the impact of its spending on LGU performance.

A grant mechanism has the potential to move DOH money as leverage to LGU performance.

A grant mechanism uses the DOH money as incentive for LGUs to expand local health initiatives. Through this mechanism, funds are released for LGUs to spend on a package of commodities, trainings, salaries and activities without the DOH prescribing details on how the money is to be spent. LGUs are empowered to use the grant money in the most effective way they deem best, taking into consideration the specific needs of their own localities. What matters most is that local health outcomes are improved, using the DOH budget to leverage LGU performance.

The table below specifies proposed features that the grant mechanism can have to address DOH's limitations in leveraging LGU performance.

Table 2. DOH total central office budget, disbursements, undisbursed funds, used funds, and underutilized funds, MOOE, 2004-2007

	2004		2005		2006		2007	
	M PhP	% of total	M PhP	% of total	M PhP	% of total	M PhP	% of total
Total allocated budget	1,283		1,845		1,244		2,202	
Disbursement	1,118	87	1,404	76	1,252	101	1,745	79
Undisbursed	165	13	441	24	9	1	457	21
Used funds	1,214	95	1,686	91	1,133	91	1,846	84
Unused funds	69	5	160	9	110	9	356	16
Underutilized funds	234	18	601	33	119	10	813	37

Notes: Undisbursed is total allocated budget less disbursements; unused funds is total allocated budget less used funds; underutilized funds is the sum of undisbursed plus unused funds.
Source of data:

DOH Finance Service "Statement of allocation, Obligation and Balance (SAOB)," Total Notice of Cash Allocation (NCA) released by DBM

Matching Grant Program (MGP) demonstrated DOH experience with the grant mechanism in leveraging LGU performance

The effectiveness of a grant mechanism in leveraging LGU performance was demonstrated through a previous experience with the Matching Grant Program (MGP) of the DOH. The MGP was introduced in 1999 to encourage LGUs in improving family health outcomes through family planning initiatives. It showed that a grant mechanism is effective in raising a specific health concern as a local government priority. Specifically, the MGP was successful in elevating family planning programs as priority items among LGUs entitled to the grants. Moreover, these LGUs designated health staff responsible exclusively for family planning. LGUs enrolled in MGP also achieved success measured in terms of indicators such as *Sentrong Sigla* certification (USAID, 2002).

The MGP's success in leveraging LGU spending on health was limited by the small size of the grant—the average ratio between

the grant amount and LGU spending on maintenance and other operating items in the health was only 7.8% (USAID, 2002). This suggests that the size of a grant should be large enough to effect increase in real per capita spending on health.

The MGP showed that with LGU autonomy, program support with performance benchmarks are more acceptable to LGUs than prescriptive programs imposed central authorities (USAID, 2002). A grant mechanism is one such example of program support with performance benchmarks. Grant mechanisms are therefore more suitable to leverage LGU performance given the devolved setup of the Philippine health sector.

Proposed MNCHN grant mechanism has the potential strategy to leverage LGU resources

A proposed grant mechanism for maternal and child health will execute the DOH's accelerated strategy to boost maternal and child health outcomes. It intends to leverage LGU resources towards the achievement of health sector goals on maternal, newborn and child health. Performance grant awards will support LGU initiatives in expanding local health initiatives directed at maternal, newborn and child health. This proposed grant mechanism could build upon the DOH experience with MGP.

Critical to the success of this grant mechanism in leveraging LGU performance is timely monitoring of health outcomes, which will be useful to facilitate the release of succeeding grants. With health outcomes properly monitored, the DOH budget can be effectively used in steering health sector resources towards the achievement of the health sector's goals.

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Table 3. Proposed features of a grant mechanism

Feature	Limitation that can be addressed
A grant mechanism will be used to boost the DOH priority program, namely maternal and child health, identified through the strategic planning process. The grant mechanism translates the health sector's priority thrust into a budget execution strategy aimed at achieving the health sector goal of significantly reducing maternal and child deaths.	Difficulties are encountered in translating strategic thrusts into budgetary terms.
A grant mechanism frees up resources from being fixed to specific inputs and locations. LGUs are granted the flexibility to allocate funds into commodities, trainings, salaries and activities depending on the particular mix that their respective locality requires.	Being bound to fixed inputs and fixed locations limits the flexibility in the use of DOH money.
Performance is the main basis of grants such that more funds are provided to LGUs that exhibit more active effort towards the achievement of target health outcomes.	Choice of expenditures is not clearly linked with performance.
Optimal use of funds will be promoted since the release of succeeding grant amounts will be conditional upon utilization of previous releases.	DOH budget is not fully utilized.
Since the prime concern is with health outcomes, the grant mechanism insulates against the limitation in the ability of DOH to track LGU spending down to the smallest detail. This becomes secondary to monitoring of actual health outcomes.	Spending cannot be tracked to the LGU level.