Public Health Financing

PHC 6102
Principles of Health Policy and Management
Objectives

• Distinguish public health from personal health services
• Recognize the fragmented nature of public health financing and administration
• Generalize the sources of funding for local public health agencies
• Describe local health department financial budgeting and strategic planning process
• Identify challenges in public health financing
U.S. Health Expenditures

Personal Health Care 84%

Investment 7%

Public Health Activities 3%

Admin. & Private Health Insurance 7%

Public Health vs. Personal Health

• Public Health seeks prevention
  – Screening, surveillance, outbreak investigations, emergency response programs, environmental health services, educational programs

• Personal Health means intervention
  – Emergency departments, inpatient, MRIs, etc.

• Key is to balance of prevention and intervention
Demarcation Not Simple

• LHDs deliver personal health services
  – HIV/AIDS treatment clinics, WIC programs, pregnancy outreach and education, etc.
  – In Florida, 68.7% of funding goes toward individual public health services

• Medical enterprises provide preventive services in primary care setting
  – Wellness checks, education, & immunizations

Fragmented Structure of PH

- Many different funding methods for public health throughout the United States
  1. Reimbursement funding
  2. Per capita funding
  3. Local taxes, inspection fees, etc.
- Administration of funds differs
  – Can take place at LHD, CHD, SHD, MHD

Public Health Financing Streams

• Multiple levels of funding
  – Federal
  – State
  – Local financing
  – Charitable grants
Variation of the Sources of Public Health Funding

- Wide variability in funding from local sources\(^1\)
  - Wisconsin = 79%
  - Massachusetts = 7.4%
- Relative contributions can fluctuate
- Vast disparities in per capita spending for local public health \(^2\)
  - Lowest 20% < $8 per capita in spending
  - Highest 20% > $102 per capita

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Funding Sources for Local Health Departments

Revenues includes fees, Medicaid, Medicare, and insurance reimbursements. Other includes private foundations and other sources.

Models for Federal Funding

• Block Grants
  – Maternal and Child Health grants
• Categorical programs
  – WIC
• Matching funds
  – Medicaid and SCHIP
Types of Funding

• Mandatory
  – SCHIP, Medicaid, etc.

• Discretionary
  – Most other funds for state public health
Expenditures Difficult to Measure

• No national standard; many state-level efforts undertaken
• Lack of understanding in outcomes
• Effectiveness difficult to determine
• Leads to potential cuts to funding in competition for funding from legislators
  – Example of success: NY State in 2002

Trends in PH Financing

• Wide range of organizations that deliver public health services (both population-based and personal health services)

• Reliance on Medicaid as a funding stream contributes to identity problem (public vs. personal)

• States merging public health agencies with other agencies, such as social services or mental health
Public Sector Budgeting

• Decisions made for public or collective good, not to benefit individuals
• May be intentionally inefficient
• Responsible to their constituents and governmental requirements
• Motivation behind budget decisions is not profit; but does include determining cost
Public Sector Accountability

• At local government levels, budgets originally intended to protect against theft
• Budget control also acts as a deterrent to misappropriation of funds
  – Expenditures must agree with appropriation
• Also, used to assess progress toward goals and for future planning
Public Sector Budget Documents

• Not consistent across all political jurisdictions
  – Federal government – budget has limited legal status
  – Local governments – budget may become official working documents
  – Can use series of documents – operating budget, capital budget, special funds budget

• Greater emphasis on expenditures than revenues
SHD Example: Massachusetts

- Financing streams
  - State
  - Federal
  - Local
- Strategic action
- Prevention vs. intervention
- Budgeting process

Business of Public Health

• Communicate the value
• Cost competitiveness …
  – of public health vs.
  – medical interventions
• is high!
Public Health Financing Challenges

- Need for national expenditure reporting system
- Lack of stable funding sources for infrastructure, including organizational capacities
- Multiple providers of public health services
  - Privatization and role of government
- Financial skills of PH workforce

Questions

1. Explain why it is difficult to measure Public Health effectiveness.
2. Relative to personal health, what portion of amount spent on public health?
3. What is the primary source of funding for the “average” local health department?
4. Describe the different funding streams for a LHD.