Local Health Accounts: Understanding the sources and uses of funds in delivering local health services in a devolved setting

Rationale: The Local Government Code of 1991 placed the local government units in the forefront of health service delivery in the Philippines. However, the aggregate figures in the Philippine National Health Accounts (PNHA) do not reflect the sources and uses of funds at the local level. This makes it difficult for the Department of Health to advocate to local health executives (i.e. mayors and governors) the need to rationalize and increase budget allocation for health services in their area.

Methodology: This study applies the National Health Accounting tool at the local level. Results: The PHNA shows an increasing trend, albeit nominal, on local government spending for health. Using the local health accounts, however, we found that up to 80 percent of local health spending goes to payments of salaries of health personnel and a very small portion of it is spent on actual delivery of services. Since the local hospitals were devolved to the provincial government, the provincial government spending for health is concentrated on hospitals. Similarly, municipal government units are mandated to manage rural health units thus their expenditure for public health is higher. A closer examination of the details of expenditures shows that in both levels, at most 20 percent goes to operating expenses. A significant portion of this operating expenditure is spent on utilities like electricity, such that very small amounts are actually spent on drugs, medical supplies and travel allowances of health personnel for service delivery and monitoring purposes. The study also demonstrated that despite devolution of health services, the local governments still receive a significant portion of their resources for health from the national government. Finally, the presence of a nationally-funded hospital affects how local government units spend for health.

Conclusions: The study shows that a local health accounting tool is very useful in demonstrating how a local government unit mobilize and utilize its resources for health care. The results also provide implications for policy development and advocacy work for the national government.