

**SHA-revision, unit 3:**  
**Key concepts and definitions in**  
**health accounts**

Country experience – comments,  
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## Basic accounting concepts (1)

- It is a lot of SNA: very correct, very comprehensive, but also very abstract.
- Some aspects like treating of transport margin or holding gains lack relevance for health care production activities.
- To be considered: abbreviate and refer for more details to SNA.
- Accrual principle: very correct but “allow” cash as a second best option
- Over all: relevance for health should be elaborated

## Basic accounting concepts (2)

- The part on institutional units / establishments lacks a clear position
- In section “transactions” (page 9) it is confusing that “financial transactions” are mentioned. SHA must not deal with financial transactions (as defined in SNA).
- However, it is not clearly indicated whether or not distributive transactions linked to financing health care (e.g. interest payments) are to be recorded or not.

## Basic accounting concepts (3)

- A clear position would be helpful whether SHA II abides by the “cash mantra” of SHA I or whether it allows for negative values or even imputed transactions.
- Example: Employers pay more social contributions to a Social security fund than this fund did spend. Is the surplus
  - additional administrative cost,
  - negative “own funding” of social security or
  - to be netted against the employers’ payments?

## Basic accounting concepts (4)

Figure 2 on page 10 has two problems:

- 1) Subsidies to health care providers may have nothing to do with health, e.g. subsidy for employing formerly long term unemployed persons or for utilizing energy saving techniques (see also next slide).
- 2) Why in the formula for “adjusted total actual final consumption expenditure on health” ( $=P.4 + D.31 + P.41$ ) is subsidies on products added while taxes on products are not subtracted?

# Basic accounting concepts: subsidies

- Not all subsidies meant for health are given to health care providers. The incidence of the payment could in principle be with any type of economic activity, e.g. production of wheel chairs or of drugs, transport of sick or handicapped persons, employing persons under rehabilitation etc.,
- There is a special type which needs special attention: D.319, persistent losses of public corporations

# Price and Volume Measurement (1)

- Footnote on page 12:  
*The services of non-market producers “are obviously financed through taxation and social contributions but there is no direct link between the payment of the tax and the level of services rendered”.*
- This sentence is too crucial to be put as a footnote, only.
- It should be added that public debt could also be a source of financing.

## Price and Volume Measurement (2)

- This chapter again is nicely elaborated but very abstract.
- Consider to abbreviate and to refer to SNA for more details.
- There is no doubt that output volume indicators are superior over those on inputs. But there is also no doubt that output indicators on volume are difficult to obtain. This is especially true for health.

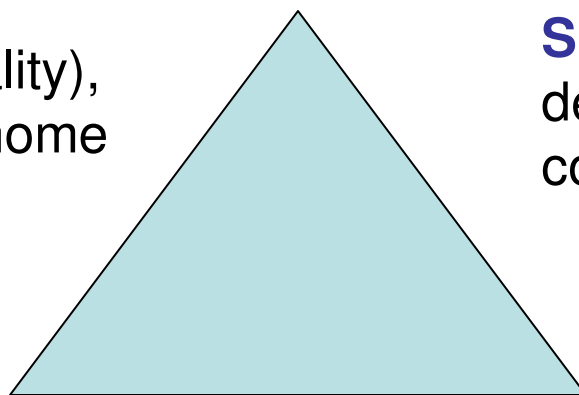
# Price and Volume: quality adjustment

- The chapter on quality adjustment is focusing on techniques of price statistics.
- The role of price statisticians is to measure “pure” inflation. If they do a good job then by applying their deflators to **values** we automatically arrive at correct “**volumes**”.
- Quality adjustment for washing machines, cars or computers is very difficult. We apply sophisticated (“hedonic”) techniques for it. For health services the problems seem even much bigger.

# Purchasing power parities (1)

## **Time:**

Volume (quantity + quality),  
prices (inflation) → at home



## **Subject:**

definitons, classifications,  
concepts, data sources etc

## **Space:**

Volume (quantity + quality),  
prices (inflation) → abroad

For spatial comparisons cross-country we need to convert our figures into a common currency or we have to apply PPP.

## Purchasing power parities (2)

- It should be explicitly pointed out that PPP replaces the common cross-country comparisons at US\$ or other common currencies.
- Theoretically, PPP is much better than US\$, but it is much more difficult to achieve. For developing countries it might even be impossible. The traditional method using currency exchange rates should be offered as a second best option.
- PPPs are not calculated each year. NHA also might have a special interval. There might be a mismatch problem.
- PPP should be explained along with examples.

## Purchasing power parities (3)

Example: Measuring blood pressure, PPP bilateral Pakistan / Egypt

Country / indicator	Expenditure per cap.		Prices / unit values		Inflation rate in %
	2007	2008	2007	2008	
Pakistan in PKR	200	210	300	396	32
Egypt	10	13	20	22	10
PPP Pakistan Rupees per Egypt £			15	-	-
Currency rates Pak Rupees per Egypt £			14	19	-

Country	Expenditure per capita in PPP of year 2007 (2008 at prices 2007)		Change of expenditure per capita in %		
			Volume at PPP Egypt/ Pakistan of 2007	Volume (national deflators)	Common currency (EGP)
	2007	2008			
Pakistan	13.3	10.6	-20.5	-21.3	-22.6
Egypt	10	11.8	18.2	18.2	30

# Capital formation

- In par. 94 it is proposed *“to discontinue the use of the “total health expenditures” aggregate since the sum of the current health expenditure and gross capital formation does not equal the value of production of health care providers”*
- This proposal conflicts with par. 5 of the same unit.
- Moreover, the given rationale is not convincing. As investments (capital goods) of health care providers mainly stem from manufacturing, construction or from imports it is trivial that they generate incomes outside health. This need not be proven by a Leontief-type input-output table.

## Some remarks on terms

- “Supply and use” instead of supply and demand
- “Capital expenditure” should be avoided (p. 4) as long as “capital *formation* expenditure” is meant
- “Gross capital formation” (page 4) is gross fixed capital formation plus changes in stocks. But obviously only GFCF is meant. Changes in stocks might not necessarily be zero.
- Avoid “local kind-of-activity unit”. This is a Eurostat-monster. Replace it by “establishment”.