

Access to health care for all? User fees plus a Health Equity Fund in Sotnikum, Cambodia

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User fees in health services are a source of much debate because of their potential risk of negative effects on access to health care for the poor. A Health Equity Fund that identifies the poor and pays on their behalf may be an alternative to generally ineffective fee exemption policies.

This paper presents the experience of such a Health Equity Fund, managed by a local non-governmental organization, in Sotnikum, Cambodia. It describes the results of the first 2 years of operations, investigates the constraints to equitable access to the district hospital and the effects of the Health Equity Fund on these constraints.

The Health Equity Fund supported 16% of hospitalized patients. We found four major constraints to access: financial, geographical, informational and intra-household. The results of the study show that the Health Equity Fund effectively improves financial access for the poor, but that the poor continue to face many constraints for timely access. The study also found that the Health Equity Fund as set up in Sotnikum was very cost-effective, with minimal leakage to non-poor.

Health Equity Funds managed by a local non-governmental organization seem to constitute a promising channel for donors who want to invest in poverty reduction. However, further research and experimentation are recommended in different contexts and with different set-ups.

Key words: user fees, equity, access, utilization, health services

Introduction

Many low-income countries have introduced user fees for publicly provided health services, often as part of structural adjustment programmes. User fees are usually only one element in a broader package of health sector reform measures (McPake et al. 1993; World Bank 1993; Uzochukwu et al. 2002). However, user fees have an obvious drawback: their potential negative effect on access to health care, especially for women (Nanda 2002). In many cases, partly because of poor implementation, utilization decreased significantly after user fees were raised, affecting the poor in particular (Creese 1991; MCPake 1993; Gilson et al. 2001). However, in some cases where fee revenues were used for quality improvements, studies have shown increased utilization, in particular by lower income groups (Litvack and Bodart 1993; Levy-Bruhl et al. 1997; Audibert and Mathonnat 2000). On the other hand, other costs – such as transport, time, food, informal charges and drugs – may constitute even higher barriers for the poor than the user fees themselves (Abel-Smith and Rawal 1992; Hjortsberg and Mwikisa 2002; Khe et al. 2002).

The official policy in many countries is to exempt the poor from payment. In practice, however, exemption mechanisms are often ineffective and generally fail to protect the poor

(Creese 1991; Gilson 1997). Their major failure is in the targeting. Good targeting consists in limiting inclusion errors and exclusion errors (Gilson et al. 1995; Willis and Leighton 1995). Most exemption systems in developing countries suffer from at least one of these two errors. Inclusion errors, which lead to leakage of resources to better off people, are due to the pressure of authorities and relatives, the absence of clear criteria or the low accountability of the persons granting the exemption. Two factors cause exclusion errors. First, where health staff find themselves in a market-oriented setting, a conflict of interest may arise between granting exemptions and raising income, especially when user fees serve to top up health workers' incomes. Each exempted patient is a loss of revenue for facilities already under financial stress. Second, health staff usually do not have the expertise or time to assess objectively the patient's ability to pay (Huber 1993). This requires the skills of a welfare worker.

Any institutional solution really aiming at assisting the poor in their access to health care should then have two basic features. First, there must be an earmarked budget. It must be in line with the poverty profile of the covered population. Second, the fund must be entrusted to a body the interests of which do not conflict with the mission to organize effective targeting of the poor. A purchasing body, or third-party payer, able to identify the poor and to pay on their behalf

(Nyonator and Kutzin 1999), may be a good solution. However, there are few reports in the literature about such schemes.

In Sotnikum Operational District, Siem Reap province, Cambodia, we negotiated with the Cambodian Ministry of Health (MoH) a health-financing scheme in 1999. Informal user fees became official and the proceeds used to improve the quality of health services to the population. No exemptions are granted. In September 2000, to improve access for the poor, a local non-governmental organization (NGO) was contracted to manage a *Health Equity Fund* that identifies the poor and pays user fees on their behalf. Health staff are thus entirely relieved from the responsibilities of identifying and financing poor patients. This paper describes (1) the results of 2 years' functioning of the Health Equity Fund in Sotnikum, along with (2) the results of an investigation in August 2001 into the constraints to equitable access to the district hospital, and the effects of the Health Equity Fund on these constraints.

Context

Health sector reform in Cambodia

The Cambodian society has suffered from decades of international conflict, and especially from the 1975–79 Khmer Rouge government. To create a so-called egalitarian socialist rural society, and to destroy the past, cities were evacuated, formal health care and education abandoned, and money abolished (Chanda 1986). Over 1 000 000 people died, and educated human capital was deliberately targeted for elimination. It is only after the Paris Peace Accords and 1993 elections, that Cambodia has gradually become more stable and peaceful. The country is beginning to recover from its loss of qualified human resources and the destruction of its infrastructure. Facing the challenge of rebuilding the health system while having to coordinate extensive foreign aid contributions (Lanjouw et al. 1999), the Cambodian Ministry of Health (MoH), heavily supported by the donor community, has been implementing a Health Coverage Plan since 1996. The Plan divides the country into 69 newly created Operational Districts, each covering between 100 000 and 200 000 people. Each operational district consists of a network of health centres that provide basic health care for 10 000 to 12 000 inhabitants, one district hospital and a district office. In 1997, the National Charter on Health Financing officially introduced user fees. By 2001, thanks to the funding of international banks and donors, most facilities had been constructed or renovated, and supplied with medical equipment. Moreover, the system enjoyed a regular supply of essential drugs through a Central Medical Store.

However, structural constraints prevent the Plan's realization in terms of accessibility and quality of care, and public health facilities remain under-utilized. Government expenditure on health is growing but remains very low, at around US\$3 per capita per year in 2001. A fundamental constraint is the extremely low salary of civil servants in Cambodia (US\$10–15 per month in 2001). Consequently, as elsewhere,

government health staff are forced into coping strategies, such as charging informal fees and diverting drugs, equipment and patients to their private practices (Roenen et al. 1997; Killingsworth et al. 1999; McPake et al. 1999; Bloom et al. 2000; Van Lerberghe et al. 2002). Households are left to private providers who aim at maximizing profits by selling whatever people are willing to pay for. Because of the unregulated health care market, household 'out-of-pocket' expenditure on health is very high and inequitable, estimated at US\$20–30 per capita per year. As in other countries (Wagstaff 2002), in Cambodia catastrophic health expenditure is identified as a major cause of indebtedness and destitution among the rural poor (Kassie 2000).

In this context, many multi-actor initiatives have tried to improve the quality and accessibility of public health care in rural areas. Several of them share common features: (1) the pursuit of a higher performance of public facilities; (2) the injection of external funding for improving staff income; and (3) the utilization of performance contracts to establish a higher accountability of the staff (Van Damme et al. 2001; Meessen et al. 2002; Ministry of Health et al. 2002; Soeters and Griffiths 2003).

Sotnikum Operational District and its 'New Deal'

Sotnikum is a poor rural area, with 220 000 inhabitants, at 30 km from Siem Reap town, in the province where the historic temples of Angkor are located. Sotnikum Operational District is divided into 17 health areas, each of them having one health centre. The district hospital is in the small town of Damdek. It provides the full complementary package of activities foreseen by the national policy: internal medicine, paediatrics, obstetrics-gynaecology and surgery. An operating theatre has functioned since mid-2000.

In Sotnikum, the Ministry of Health, Médecins sans Frontières (MSF) and UNICEF agreed in 1999 on a common approach at district level. The entry point of the experiment is a 'New Deal' for the government health staff, who receive a better income (US\$80–100 per month on average) in exchange for respect of working hours and abiding by the new internal regulations, strictly forbidding any informal payments or prescriptions for private pharmacies. Apart from a direct positive effect on the quality of services to the population, it was assumed that in the new working environment of 'fair' income to staff, investments in quality of care, such as training and supervision, would yield better results. Contracts were established between all actors involved, and lump sum user fees agreed upon to reduce patient's uncertainty about the cost of treatment. The approach immediately resulted in better staff motivation and higher user rates. In 2000, average monthly admissions to the hospital increased by 50% to 216, further increasing to 239 in 2001, and to over 300 in 2002. This 'New Deal' initiative has been described in detail elsewhere (Van Damme et al. 2001; Meessen et al. 2002).

Health Equity Fund

The 'New Deal' meant an increase in the official user fees, especially at the hospital level. The risk was that the poor

would still lack access to the improved services. To allow the achievement of the two conflicting objectives by the hospital – financial viability and equity in access – MSF and UNICEF decided to introduce a demand-side initiative: the Health Equity Fund, which operates as a ‘third party payer’ for patients who cannot pay.

The Health Equity Fund is managed by a local NGO, and operates independently of the hospital. MSF and UNICEF preferred a Cambodian NGO for reasons of managerial and socio-political sustainability and capacity building in the private social sector. The contracted social NGO, Cambodia Family Development Services (CFDS), established in 1993, had already extensive experience in social projects and community development programmes in the province before it started the Sotnikum Health Equity Fund. Thanks to this experience, CFDS had already well-established and field-tested guidelines for identification of and support to poor patients, using a questionnaire to score self-reported socio-economic status.

In September 2000, CFDS started with a single staff member based in an office in the hospital compound. In October 2001, a second staff member was hired to improve presence in the hospital, follow-up of supported patients and information sharing at community level. The CFDS staff identify poor patients at two stages. First, the hospital admission staff refer patients arriving without enough money for the admission fee. Secondly, CFDS also actively tries to identify poor patients in the hospital wards, who although they paid the admission fee, seem to lack food or basic items such as food utensils, mosquito nets or clothing. This second round of identification is necessary because most people borrow money or sell productive assets before they go to the hospital, and thus may incur expenditure beyond their ability to repay.

CFDS staff interview all patients so identified to determine their ability to pay. Important indicators are food security, ownership of land and productive assets, housing, occupation, as well as household size and structure. Physical appearance, including clothing, often also gives an indication of socio-economic status. The ‘target group’ of the Health Equity Fund consists of the extremely poor, as well as the poor who risk falling into extreme poverty. No fixed criteria for eligibility are used, as poverty has many dimensions that are difficult to measure, and flexibility is needed to assist according to people’s needs.

The level of support is determined on a case-by-case basis, from partial payment of the admission fee to full coverage of the total cost of hospitalization, including transport, food and basic items. CFDS also carries out follow-up visits in the villages to verify the adequacy of the targeting mechanism and to identify further needs.

The contracting parties, MSF and UNICEF, have been monitoring the activities of the Health Equity Fund through quantitative indicators and to assess the adequacy of the targeting mechanism. They have not got involved in operational issues of the local NGO.

Methods

We compiled data on the Health Equity Fund for the first 25 months of functioning, 1 September 2000 to 30 September 2002, from the monthly reports by the NGO implementing the Fund, from personal observations of the authors, and from in-depth interviews by the authors with CFDS staff and community leaders.

In August 2001, two of the authors (WH and HK) carried out a survey in Sotnikum. The aims were (1) to analyze the constraints poor people face when in need of hospital care; (2) to assess to what extent the Health Equity Fund helped to overcome these constraints. They conducted in-depth interviews in 26 villages in five communes between 5 and 25 km from the district referral hospital. The 68 patients assessed (14 children, 40 adults and 14 elderly; 38 women) consisted of three categories:

- (1) 34 patients, hospitalized in the period June-July 2001, not supported by the Health Equity Fund;
- (2) 17 patients, hospitalized in the period June-July 2001, supported by the Health Equity Fund; and
- (3) 17 poor households with a person with recent serious illness, but not hospitalized and thus not supported by the Health Equity Fund.

We retrieved the cases in categories (1) and (2) from the hospital administration. Category (2) consisted of all 17 patients hospitalized in the period June-July 2001 from four communes who received support from the Health Equity Fund. Category (1) consisted of 34 patients randomly selected from the same four communes, and hospitalized during the same period, but without support from the Health Equity Fund. Seven patients were difficult to trace, because of the rice-planting season, and were substituted with cases from a fifth adjacent commune or with patients hospitalized in the period April-May 2001.

We found poor households with a person with recent illnesses (3) in each of the four communes. Interviewed households and local authorities could often tell where there were poor people with serious illness who stayed at home, and small thatch houses were randomly visited.

The interviews with categories (1) and (2) assessed expenditure on hospitalization and sources of financing used, as well as the targeting ability of the Health Equity Fund. The interviews with category (3) served to gain a better understanding of the constraints facing the poor in accessing hospital care.

Assets, occupation and food security determined the socio-economic rank of each household. Four categories were distinguished, following the widely used classification in Cambodia (Panhavichetr 1998): rich, medium, poor and extremely poor (Table 1). No ‘rich’ households were identified in this survey.

Of the category (1), hospitalized patients without support from the Health Equity Fund, it appeared that five cases had

Table 1. Characteristics of socio-economic categories, adapted from (Panhavichetr 1998)

		Estimated proportion of Cambodian population	Estimated proportion of population in Sotnikum
Rich ('mean')	Good house (stone), >3 ha land, large number of animals, motorbike, TV, lending out rice/cash, large savings/surplus assets.	10%	<5%
Medium ('kuesam')	Good house (wood), >1.5 ha land, >2 cows, sometimes motorbike, TV, no food shortages, savings, borrow occasionally.	30%	20%
Poor ('kraa')	Wooden house, <1.5 ha land, 2 cows or less, bicycle, food shortage less than 4 months, small savings <US\$5, borrow regularly.	40%	50%
Extremely poor ('toal')	Small (thatch) house, <0.5 ha land, no cows, food shortage more than 5 months, no savings, live on day-to-day basis, can only borrow small amounts.	20%	25%

been outpatients only. They were excluded from the analysis of hospital expenditures.

We obtained additional qualitative data through interviews with local authorities and health staff, and focus group discussions at village level. Utilization figures of the hospital were obtained directly from the hospital administration.

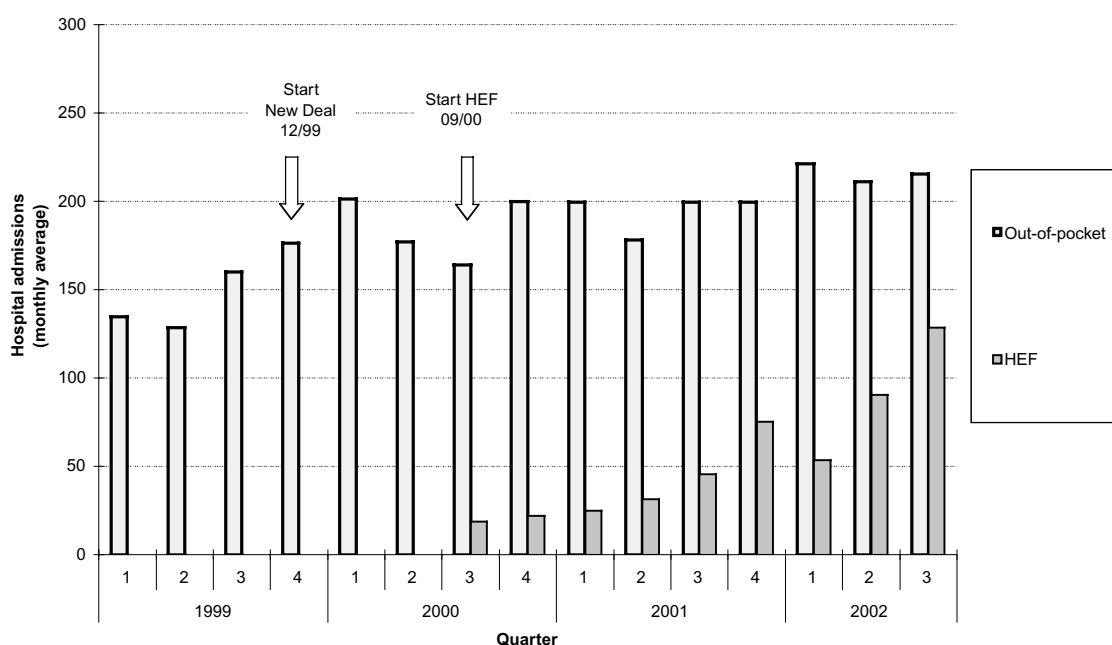
Results

Utilization of the Health Equity Fund, and its targeting ability

Between 1 September 2000 and 30 September 2002 the Health Equity Fund supported 1437 patients. Their numbers per month grew steadily from some 20 to over 100 (Figure 1). The number of non-supported patients increased less. During the third quarter of 2002, the Health Equity Fund

supported around 30% of all patients admitted to Sotnikum hospital.

Figure 2 shows the targeting ability of the Health Equity Fund. Among hospitalized patients, only one non-poor patient received financial support, whereas the Health Equity Fund supported nearly all of the extremely poor. The extremely poor, when they arrive at the hospital, have a better chance of being selected by the Health Equity Fund than the poor who risk falling into extreme poverty (which is more difficult to assess). However, the extremely poor also face most difficulties in reaching the hospital. Therefore, improved financial access for poor patients arriving at the hospital does not yet guarantee equitable access to hospital care. Moreover, a Health Equity Fund does not directly address many non-financial constraints. Also, accessibility of health facilities depends to a large extent on measures on the supply side, such as presence of health staff, transparent user

**Figure 1.** Utilization of Sotnikum hospital: patients paid by Health Equity Fund (HEF) and patients paying fees out-of-pocket, 1999–2002

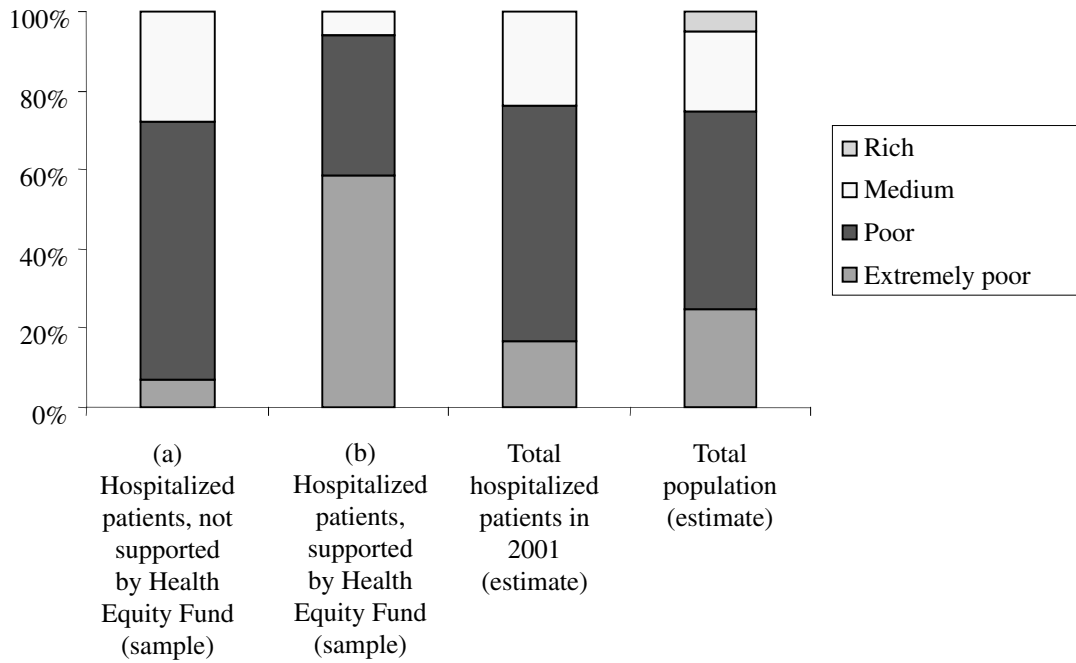


Figure 2. Socio-economic status of hospitalized patients and total population

fees or a well-functioning referral system, which all influence acceptability of the care offered.

Constraints to equitable access to hospital care

During the interviews, four major types of constraints to access to hospital care came up: financial, geographical, informational and household-related constraints. They are inter-related and all reduce utilization, in particular by the poorest and most vulnerable groups in society.

Financial constraints

In the rural subsistence economy of Sotnikum, lack of money appears the principal constraint to access to hospital care. Reported daily earnings from field labour were US\$0.6 to 0.8,

whereas the average total expenditure of one hospitalization was US\$26 (US\$18 for extremely poor, US\$24 for poor and US\$39 for medium). Medical expenses made up 32% of this amount and 68% was spent on transport, food and basic items (Figure 3).

Most of the respondents had financed this expenditure by selling assets or taking out loans before going to the hospital. Poorer households had a greater need for loans, but less access to credit. When borrowing on a commercial basis, usurious interest rates of 10 to 20% per month are common and paying off the loan is often highly problematic. This may eventually force the poor to sell their productive assets, even their land (Kassie 2000).

‘Opportunity cost’ appears to be an important consideration

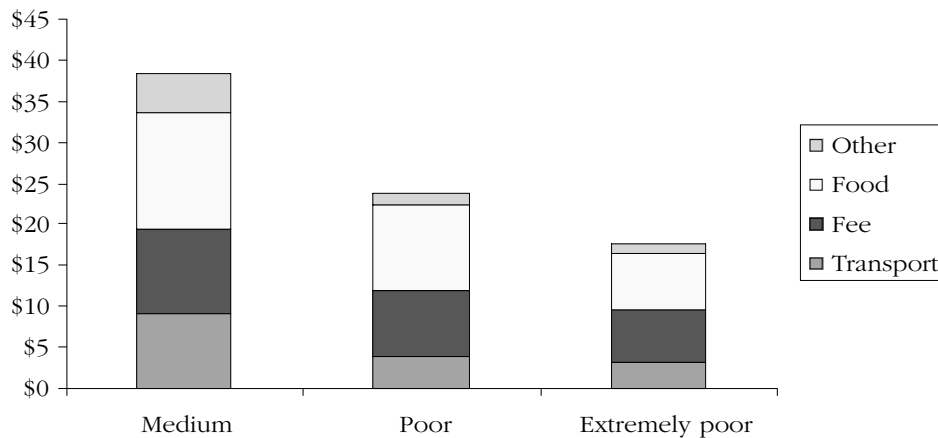


Figure 3. Average expenditure per hospitalization by socio-economic category (including support from Health Equity Fund)

for the poor. It is strongly influenced by seasonal factors. People delay seeking hospital care because of the need to plant or harvest rice. The extremely poor who do not own land and live on daily labour, tend to seek hospital care only when they are no longer able to work, and rely longer on inadequate treatments at home.

Geographical constraints

Distance to the hospital, besides its physical meaning, is also determined by the quality of roads and the availability of means of transport, and influenced by seasonal factors as well. In Sotnikum, as elsewhere (Van Lerberghe and Pangu 1988; Van Damme et al. 1998; Criel et al. 1999), utilization of the hospital showed a typical distance decay (Figure 4). More than 15% of all admissions come from the central commune where the hospital is located, although only 6% of the district population live there.

Obviously, greater distance to the hospital means higher cost of transport and bigger loss of time. In the Cambodian context, where nursing care in hospitals is very limited, a relative needs to accompany the patient, which makes hospitalization even more costly. In comparison with the non-poor, the poor are not only disadvantaged by the extra cost that comes with distance, but are also more likely to live in remote areas and to face additional geographical constraints, in particular during the rainy season.

Informational constraints

First-hand accounts from earlier patients (i.e. relatives, neighbours) appeared the most common source of information about the hospital. As people are rarely hospitalized, the resulting lack of information contributed to a view of the hospital as a far away, unknown, final resort. People living in poor and remote areas with the lowest hospital utilization rates are even more likely to rely on outdated information and thus face more uncertainties about access to the hospital (e.g. on admission fee and referral system), available services and quality of care offered.

To improve information exchange between population and

health centre staff, the Ministry of Health installed volunteer feedback committees at village level. In Sotnikum, these committees were functioning but lacked the time, knowledge and mandate to significantly reduce people's uncertainties. Information sharing at community level is further complicated by the abundance of informal private health providers, who are almost invariably the first contact for villagers in case of illness (Collins 2000). These private providers obviously have little interest in informing clients about available public health care, as this would affect their income.

Intra-household constraints

Age, gender, family size and structure affect people's willingness and ability to pay and to organize a journey to the hospital. For instance, female-headed households, in particular with small children, can least afford to go to the hospital. No income is generated precisely when it is needed most, nor are the children who stay behind taken care of. Without outside assistance, all household members may have to go to the hospital. It is easily understood that in such cases hospitalization will be the last option to be considered. Even households with both parents may face similar problems, particularly in case of emergency.

Inequities in access may also arise from gender-related cultural norms and intra-household allocation of resources. Of the total number of hospital admissions in 2001, 55% were women, compared with 52% of the total population of Sotnikum district. No significant gender bias was found in the use of hospital care, or in expenditure on hospitalization. However, some female respondents from poor households said that they prioritized their husbands' health status over their own, because they considered the husbands' earnings crucial to the survival of the households.

Effectiveness of a Health Equity Fund on constraints to access

Effects on financial constraints

An important feature of the 'New Deal' is that informal payments are no longer tolerated and have effectively halted,

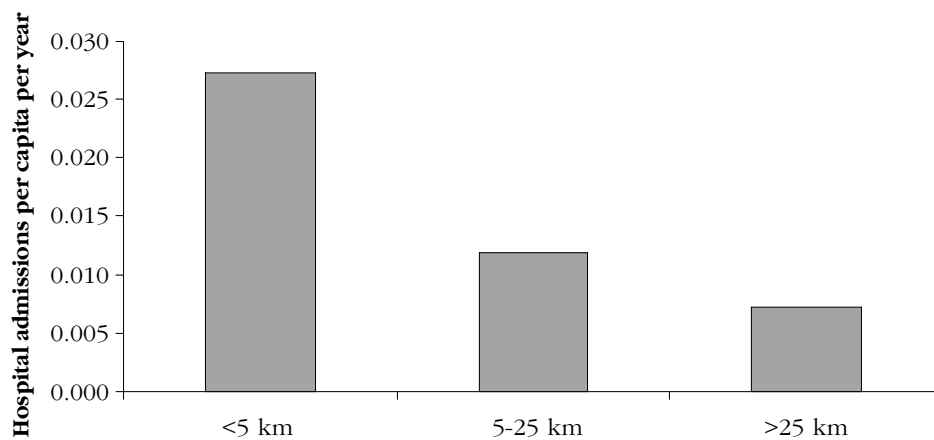


Figure 4. Annual utilization of Sotnikum hospital, according to distance between commune of origin and hospital (January–July 2001)

so that patients receive treatment once they have paid the admission fee. This significantly reduces uncertainty and improves financial access. Nonetheless, even transparent, relatively low user fees (US\$7–10 per admission) still appear to be a major obstacle for the poor. Moreover, as discussed above, the financial cost of hospitalization is not limited to user fees alone. According to the findings of this study, people actually spent more on transport and food than on fees (Figure 3).

Figure 5 shows the average expenditure on hospitalization by socio-economic category, by all hospitalized cases, distinguishing out-of-pocket expenditure and support from the Health Equity Fund. It clearly reflects the nature of the targeting mechanism: the poorest patients are most likely identified as unable to pay and receive the highest level of support. Indeed, 87% of the extremely poor in the sample were identified and supported by the Health Equity Fund for 50% of their total expenditures. Within this group, four patients in a state of chronic extreme poverty (dependent on charity in their daily lives) relied almost completely on the Health Equity Fund for their total expenditures.

In most cases, the Health Equity Fund was crucial in providing financial access to the district hospital, as otherwise patients would not have been able to pay the admission fee. It is, however, unlikely that those who borrowed or sold assets, risking falling into extreme poverty, were prevented from doing so by the assistance of the Health Equity Fund. Often, high expenditure had already been incurred before hospitalization, mainly in the private sector. Moreover, the Health Equity Fund did not address the constraint of ‘opportunity cost’ of hospitalization, which remains a major obstacle for the poor, in particular during rice planting and harvesting seasons and for people living on a day-to-day basis.

Effects on geographical constraints

Above, we identified distance to the hospital as a major constraint to access hospital care. Figure 6 shows the proportion of patients supported by the Health Equity Fund, by distance to the hospital. Relatively few patients (less than 6%) from within 5 km of the hospital were supported, and patients coming from medium or long distance had a much

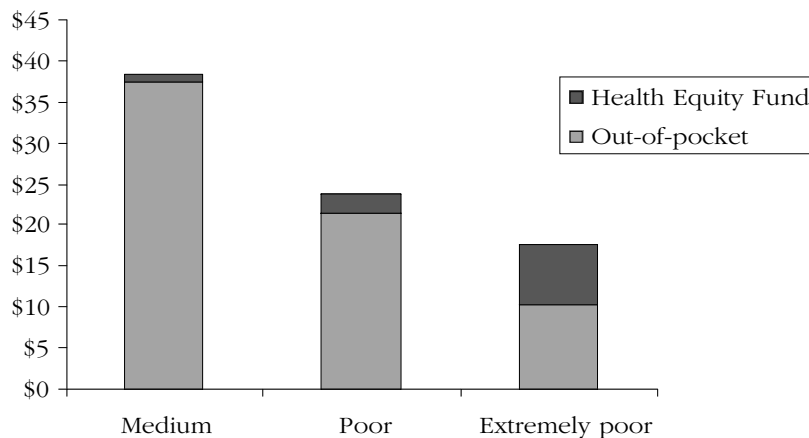


Figure 5. Average expenditure on hospitalization by socio-economic category: out-of-pocket expenditure and support from Health Equity Fund

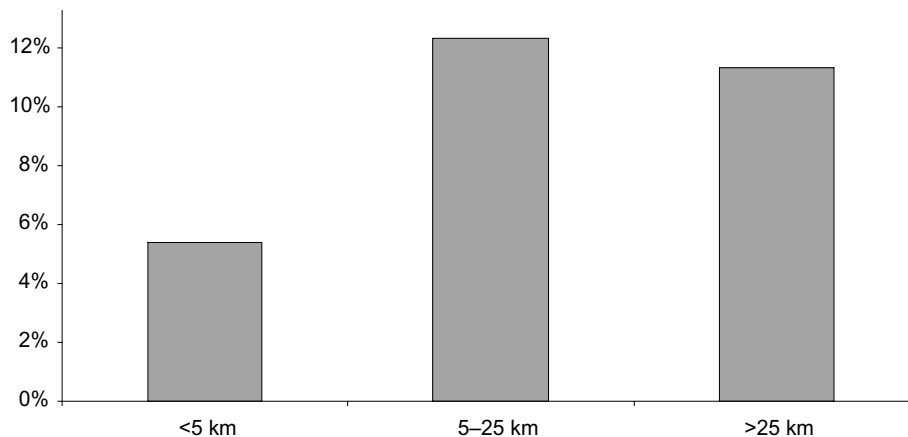


Figure 6. Proportion of patients supported by Health Equity Fund, according to distance between commune of origin and hospital (January–July 2001)

bigger chance of benefiting from the Health Equity Fund. Apparently, the Health Equity Fund reduces inequities in health expenditure in relation to distance. However, by itself it does not correct inequities in utilization resulting from geographical constraints to access.

A well-functioning referral system is of major importance. In Sotnikum, the health-financing scheme allows for incentives to government staff at health centre level to appropriately refer patients to the hospital. An ambulance service is offered according to need, and those unable to pay for the ambulance get support from the Health Equity Fund. However, this study did not assess how these mechanisms affected geographical constraints.

Effects on informational constraints

The Health Equity Fund did not actively promote its activities at community level or in the hospital. Consequently, among the people who had not been to the hospital, the Health Equity Fund was almost completely unknown. Also, of the hospitalized cases that had not been supported by the Health Equity Fund, after their return only 35% were aware of the presence of a Health Equity Fund at the hospital. Resulting inconsistent accounts may continue to deter the poor from going to the hospital.

Of the supported patients, only 12% were aware of the Health Equity Fund beforehand. Therefore, in most cases the Fund had not reduced uncertainty about access. Furthermore, even the poor who are aware of the Health Equity Fund remain uncertain about whether they will receive support, because identification of poor patients is centralized in the hospital and criteria for eligibility are not made public. On the other hand, information that is shared by all patients, such as improved quality of care or the absence of informal charges, is likely to spread much faster and to enhance utilization.

Effects on intra-household constraints

The Health Equity Fund has no specific provision for households with difficult access to the hospital because of age, gender, family size and structure. These households are more likely to be vulnerable and poor (e.g. headed by a female, many dependants). When a poor patient is hospitalized, the Health Equity Fund assists in the expenses in the hospital, but not at home, where family members may be left without someone to take care of them, and possibly short of food. Their well-being is certainly an important consideration in the decision whether or not to seek hospital care.

Of the patients supported by the Health Equity Fund, 55% were female, the same figure as their share in total utilization of the hospital. Apparently, the Health Equity Fund did not affect the proportion of women hospitalized.

Cost of a Health Equity Fund

The total cost of the Health Equity Fund over the study period was US\$27 100 to support 1437 patients; or US\$1084

per month. Of this amount, US\$16 260 was direct financial assistance (of which around 74% was hospital fees, 20% transport and 6% food and basic items). Per beneficiary, the average financial assistance was US\$11.32 and total cost US\$18.86. The cost of the NGO managing the Health Equity Fund thus represented US\$10 840, or 40% of the total cost. This was mainly for staff salary and staff transport.

In 2001, the total running cost of the district hospital (staff, drugs, fuel, electricity, patient food, etc.) was US\$152 000, or US\$53 per hospital admission, of which 62% was funded by the state, 21% through users' fees and 17% by external parties (MSF and UNICEF). The total cost of the Health Equity Fund for one year was around US\$13 000, or 8.6% of hospital cost. The total cost of the public health system in Sotnikum – the hospital, 17 health centres and the district office – was just less than US\$2 per capita per year, of which US\$0.69 was for the hospital. The cost of the Health Equity Fund was US\$0.06 per capita per year.

Discussion

In Sotnikum, the introduction of a Health Equity Fund managed by a local NGO appeared to effectively improve access to hospital care for the poor. During the first year – including the period covered by the survey – the Health Equity Fund may have mainly reduced the cost of care for people who had already chosen to access care. However, during the second year of the Fund, the steep increase in utilization indicates that a considerable number of the 'new' patients were from poor households and would not have sought care at the hospital without financial support.

During its initial 2 years of functioning, there was a steep increase in poor people accessing the hospital, while the number of patients who paid their own fees did not decrease. Most patients who managed to make it to the hospital, but could not pay the hospital fees, were identified and financially supported according to need, resulting in a strongly progressive transfer of resources. There was a minimal 'leakage' to non-poor patients. The patients with an absolute lack of ability to pay received nearly 100% coverage of their total financial cost of hospitalization (including transport, food and basic items). Indeed, even a well-functioning exemption mechanism would fall short of giving all the support needed by the poorest patients, for whom user fees are only one of the many financial barriers to access hospital care.

It is, however, important to note that in the Cambodian context by far the most household health expenditure takes place outside the public sector (National Institute of Statistics and ORC Macro 2001), often spent on poor quality treatments by informal private practitioners. Therefore, in terms of poverty prevention, the greatest potential of the Health Equity Fund seems not to lie in *financing* expenditure in the public sector, but in *preventing* unnecessary expenditure in the private sector, by encouraging the use of adequate public health care. Indeed, surveys in Cambodia have shown that, even in the absence of fee exemptions for the poor, the existence of a credible public health service considerably reduces

out-of-pocket health expenditure by the population in general, and the poor in particular (Keller and Schwartz 2001; Van Leemput and Van Damme 2002).

Over the study period in 2000–02, of all the patients who arrived at Sotnikum district hospital, 16% received support from the Health Equity Fund, whereas an estimated 25% of the population is estimated to be extremely poor (Table 1), and another 25% at risk of falling into extreme poverty in case of serious illness. It seems likely that many potential beneficiaries did not reach the hospital. Remaining obstacles continue to deter many of the poor from seeking hospital care. Even though a Health Equity Fund cannot address all these constraints, it seems to have the potential to attract more of the poor, by improving on its ‘marketing’ and information sharing. Moreover, by decentralizing its mechanism of identification and support (e.g. to the health centre or commune level), it could reduce uncertainty about eligibility and better address the constraints facing the poor at home (e.g. transport).

In terms of costs and benefits, through the payment of US\$7–10 on user fees, an admission with an average cost of US\$53 was made available to the poor, of which the government funded more than US\$30. This multiplier effect made the total cost per supported patient, including the administrative cost, much less than the value of hospital care obtained for the poor. A yearly investment of US\$13 000, representing 8.6% of the total hospital budget, gave access to hospital care to 19% of all patients, who would otherwise not have had access or suffered serious financial loss in order to pay. The combination of low cost, well-targeted subsidies and multiple benefits seems to constitute a promising channel for institutional donors who want to invest in poverty reduction.

In 2000–02, the Health Equity Fund in Sotnikum had been operating as a pilot scheme, which was unknown to most of the population, run by a motivated local NGO and closely monitored by its contracting parties. In the longer term and on a larger scale, problems may arise, such as leakage to non-poor who may adapt their self-reported economic status. In addition, local NGOs may enter the scene to get a share in available budgets rather than to help the poor through a

properly run Health Equity Fund. To avoid such perverse effects, Health Equity Funds need careful regulation, independent monitoring and evaluation, and accountability to the community they serve, within a broader pro-poor policy. Another effect that needs to be avoided is over-consumption of hospital care by the poor; although this seems more unlikely given the numerous constraints they face to access such care. Finally, in a fee-for-service scheme, provider-induced demand may become a concern as well, which is less probable in a scheme of fixed (‘lump sum’) user fees, as is the case in Sotnikum. In the Cambodian context, the performance of the Health Equity Fund in terms of improving access for the poor to hospital care is undoubtedly much better than the results of waivers for poor patients (Table 2).

It is important to acknowledge the conditions under which the Health Equity Fund in Sotnikum is able to operate effectively. First, the fund is only a complement to a relatively well-functioning health service, in which health staff are present, drugs available and informal charges absent. Second, the context of substantial socio-economic differentiation in rural Cambodia makes it possible to charge (low) user fees to the majority part of the population, while targeting support to those unable to pay. Third, the Health Equity Fund is managed by a local social NGO which has years of experience in the region, and demonstrates a good ability to target and motivation to serve the genuinely poor.

The contracting of a local NGO to manage a Health Equity Fund seems advantageous in many respects. Whereas hospital or other government staff may have conflicting interests, and often lack incentives to support the poor, an NGO contracted for this purpose does not face these constraints. NGOs may also be more easily replaceable in case of under-performance. Moreover, operating as an independent social actor in the health system, an NGO has the potential to represent the poor for whom it purchases health care and to reinforce their patient rights towards government staff. Besides improving financial access, through its social and psychological support, the patient’s dignity and confidence can be restored as well. However, one should not overestimate the potential role of NGOs, as they are not necessarily accountable to the population they serve.

Table 2. Fee waiver vs. Health Equity Fund to improve access for poor patients in Cambodia

	Fee waiver for poor patients	Health Equity Fund for poor patients
Benefit for patients	No fee.	No fee and support for transport and other costs.
Perception by health staff	Negative. The hospital has to forego revenue from poor patients. Staff try to avoid having poor patients.	Positive. Increased revenue when caring for poor patients.
Targeting	Poor, because health staff are not qualified to identify poor people, and have no interest in doing so.	Good, as social workers of NGO are specialized in identifying the poor and are evaluated on their performance to do so.
Cost	Theoretically no cost, and in particular no administrative cost.	Reasonably low: 8.6% of hospital costs.
Overall results	Not effective.	Effective at reasonable cost.

Undoubtedly, broader experience and further research into Health Equity Funds is needed, in different socio-economic contexts and in different health systems. Other set-ups can be imagined as well, for instance, where the local NGO sector is not well developed or where other alternatives seem more viable. The respective merits and costs of pre-identification of the poor (such as done in poor-card schemes) or identification at hospital entrance (as done in Sotnikum) could be compared. Comparative qualitative and quantitative studies would allow for a better assessment of the potential role of Health Equity Funds in national health and social policy (i.e. as exemption mechanism, social safety net), and their cost-effectiveness in terms of poverty reduction and prevention.

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Acknowledgements

We thank Cambodian Family Development Services, the Ministry of Health, Médecins sans Frontières and UNICEF field staff in Sotnikum and Siem Reap for their collaboration and support, and Professor R Eeckels for useful comments on previous drafts.

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