

# Informal payments and intra-household allocation of resources for health care in Albania

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# Outline

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# Introduction

- Informal payments (IP) are generally defined as payments made by patients or their relatives for those services that are to be provided free of charge.
- Given that they pose extra and non-foreseen costs to health care they may constitute a barrier to access health care, especially for the poorer socio-economic class of the population.

# Theoretical Framework

- IP can be seen as a particular form of government failure.
  - IP be seen as a way to allocate scarce resources where the market prevails over the rationing systems thought up by the government.
- The welfare triangle (World Bank) shows that when governments fail to provide protection, the family and social network can help in coping with particular shocks.
- Whenever this is the case households resort to:
  - Alternative coping strategies
  - Re-allocation of resources within household

## The aim of the Paper

The purpose of this paper is to investigate household strategies in allocating financial resources over their members for out-of-pocket payments and informal gifts in health care.

- Would the household value more the health of their children rather than that of household's head or spouse?
- Would it make a difference if the family is a nuclear or extended family?
- Would the strategies differ between inpatient and outpatient services?

# Theoretical Framework

- Coping (coping strategies) is defined as a short-term strategy adopted within the prevailing value system to avert a negative effect on the actor (Davies & Gore)
  - In the short run, when medical bills exceed a household's income, households may use savings, sell assets, borrow money from friends and family, or take out a loan using collateral.

# Theoretical Framework

- Sauerborn et al (1996) define the factors influencing the household coping behavior, among which:
  - Household size and composition
  - Household wealth
  - Age and gender of sick individuals
- Other factors may also be:
  - Position of member within the family
  - Health insurance coverage
  - Type of service required, etc

## Data & Statistical Descriptive

- We use Albanian data from 2002 & 2005 Living Standard Measurement Survey.
- As a post-communist country Albania has inherited a widespread web of public health care services and has limited private providers.
- Informal payments in the country remain high during the last years, with the largest incidence at the inpatient care services (Albania Ministry of Health, 2004).



# The incidence of Informal Gifts

Quantiles	The incidence of Informal payment in outpatient services	The incidence of Informal payment in inpatient services
Year 2002		
1	0.23	0.48
2	0.29	0.57
3	0.27	0.65
4	0.33	0.64
5	0.27	0.60
Year 2005		
1	0.27	0.55
2	0.24	0.60
3	0.20	0.59
4	0.22	0.53
5	0.16	0.52

## Out-of-pocket payments & Informal gifts

Quantiles	<u>Outpatient services</u>		<u>Inpatient services</u>	
	Out-of-pocket as share of total hh consumption	Total gift as share of all out-of-pocket spending	Out-of-pocket as share of total hh consumption	The total gift as share of all out-of-pocket spending
Year 2002				
1	0.52	0.21	0.29	0.45
2	0.50	0.19	0.17	0.68
3	0.29	0.24	0.23	0.39
4	0.27	0.20	0.17	0.53
5	0.13	0.28	0.10	0.57
Year 2005				
1	0.36	0.25	0.31	0.73
2	0.29	0.20	0.17	0.71
3	0.23	0.24	0.19	0.47
4	0.17	0.20	0.16	0.49
5	0.11	0.24	0.28	0.22

## Methods to raise money to pay for health services

Quintiles	Borrow money to pay for health care	Sell animal / products / valuables to pay for health care
Year 2002		
1	0.51***	0.20***
2	0.36***	0.20***
3	0.32***	0.17***
4	0.25***	0.12***
5	0.11***	0.07***
Total	0.28	0.14
Year 2005		
1	0.39***	0.20***
2	0.29***	0.17***
3	0.23	0.11**
4	0.17***	0.08***
5	0.08***	0.04***
Total	0.23	0.12

# Methodology

- OLS – out-of-pocket & informal gifts
- Seemingly unrelated estimation
  - Family types (extended & nuclear)
  - Health services (inpatient & outpatient)

# Results

	<u>Inpatient services</u>			<u>Outpatient services</u>		
	Nuclear families	Extended Families	Ratio	Nuclear families	Extended Families	Ratio
<b>Out-of-pocket</b>						
Spouse	0.05	-0.173	0.28	0.012	0.08	0.15
Children	0.491	0.102	4.82	-0.701**	-0.014	47.3
Chronic illness	0.212	-0.186	1.14**	0.409***	0.300***	1.36
Year	0.357*	0.663***	0.53	-0.005	0.05	0.102
Borrow money	-0.143	0.005	26.86	0.165***	0.077	2.14
Sell animal/product/valuable	-0.078	-0.191	0.4	0.153**	0.199**	0.76
Health insurance	-0.058	0.067	0.86	-0.276***	-0.123**	2.25**
Gender hh head	-0.019	0.277	0.06	-0.175	0.123	1.42
Age hh head	-0.0001	-0.002	0.05	-0.002	-0.001	2.66
Eduaction hh head	0.013	-0.022	0.58	-0.006	-0.045	0.14
<b>Informal gift</b>						
Spouse	1.780***	-0.622**	2.86***	0.082	0.142	0.579
Children	2.873***	0.261	10.97	-0.378	-0.043	8.757
Chronic illness	-0.411***	0.156	2.62**	0.066	0.032	2.037
Year	0.218	0.017	12.2	0.165**	0.138*	1.19
Borrow money	-0.054	-0.05	1.07	-0.113	0.032	3.498
Sell animal/product/valuable	0.147	0.199	0.73	-0.095	0.224**	0.423**
Health insurance	-0.297*	-0.117	2.54	-0.201***	-0.248***	0.813
Gender hh head	0.911*	0.668	1.36	-0.314	-0.093	3.38
Age hh head	0.036***	-0.004	7.51***	-0.003	0.006***	0.54
Eduaction hh head	0.024	-0.034	0.7	-0.001	-0.173**	0.008*

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

## Findings

- There are differences between inpatient and outpatient services.
- Health insurance influences negatively informal gifts and out-of-pocket payments (especially in outpatient) and there is no sig. for this difference between family types.
- In inpatient services where the HI has a smaller role and payments are higher, hh allocate more money (as informal gifts) to children than spouses.
- In inpatient services payments for spouses are lower in extended families than in nuclear families.
- Methods to raise money for payments differ mostly in outpatient rather than inpatient.