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Equity of Health Care Financing in Iran: The Effect of Extending Health Insurance to the Uninsured

Mohammad Hajizadeh & Luke B. Connelly

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Abstract

This paper examines the progressivity of health insurance premiums and consumer co-payments in Iran by calculating Kakwani Progressivity Indices using data from annual national household surveys between 1995/96 and 2006/07. During this period, the Urban Inpatient Insurance Scheme in 2000 and the Rural Health Insurance Scheme in 2005 extended health insurance coverage in urban and rural areas. Unexpectedly, the results suggest that both of these initiatives had regressive impacts on the distribution of health care financing in Iran, which could be explained by public sector activity having crowded out private sector charitable activity. Although this study does not address changes in the distribution of health care utilization, these results for health care financing suggest the need for caution in the implementation of such programmes in low-income and middle-income countries. If charitable activity already results in the

provision of health care to the poor at zero or low prices, public intervention may not improve the progressivity of health care financing.

JEL Classification::

D31 D63 I18

Notes

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[1] According to the World Health Organization (2000), for example, paying for health care can be unfair in two different situations: first, if families face large unforeseen costs that have to be paid out-of-pocket at the time of utilization; second, if health care financing is regressive, meaning that people with low incomes pay proportionally more than people who are better off.

[2] According to the Constitution, these “independent” organizations are, nevertheless, public property.

[3] According to the Central Bank of the Islamic Republic of Iran (2009) on average only about 30% of government revenue was derived from taxation; the remaining 70% was derived from the sale of natural resources.

[4] For the Iranian HIES, the .

[5] For further explanation of the concentration index, see Wagstaff et al. (1991), Kakwani et al. (1997) and Lambert (2001).

[6] This equation can also be employed to estimate the value of the Gini coefficient.

[7] Self-reported income data may be subject to substantial reporting bias (e.g. where respondents attempt to conceal their incomes from interviewers) or sampling error when income is subject to substantial daily, weekly, or seasonal variation.

[8] However, this measure also has drawbacks. For example, actual expenditures tend to be made by various household members whereas survey responses about expenditures

are typically obtained from just one adult household member. In addition, expenditure surveys may not be a good representation of all goods and services consumed by households as this type of survey is often limited to a few items that are commonly consumed by households (Rutstein & Johnson, 2004).

[9] Regression results for urban sample indicate that the UIIS had a negative effect on the progressivity of consumer co-payments and total private health care payments.

[10] The results of regressions for rural areas are similar to the results for Iran as a whole.

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