





HEALTH FINANCING CASE STUDY No 14  
BUDGETING IN HEALTH

# **BUDGET STRUCTURE REFORMS AND THEIR IMPACT ON HEALTH FINANCING SYSTEMS: LESSONS FROM KYRGYZSTAN**

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Organization**

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# EXECUTIVE SUMMARY

**Since its independence, Kyrgyzstan's has shown commitment to the goals of the universal health coverage.** It has led to documented improvement in financial protection and access to health care. It has also improved significantly efficiency in use of resources and equity of resource distribution. As a result, it has been recognized as a regional leader in health system transformation. The creation of a national pool, establishment of a separate purchaser with a unified information system, authority to contract providers and a shift from input- to output-based payments were important policy instruments in achieving these improvements.

**However, the reform process has not been easy: the health sector struggled for a number of years with rigid input-based controls which dampened the effect of new output-based provider payment methods.** Input-based budgeting was one of the key factors in incomplete process of downsizing large hospital infrastructure. Also, the provider payment reforms did not create the expected incentives for provider managers to optimize their input mix to

soon as projects financing them would end. In the meantime, health sector continued to struggle with the misalignment which existed between the output-based payment logic in the health sector and the prevailing input-based approach to budgeting.

**Recently, the country started making visible changes in its budgeting process, gradually shifting from input controls to accountability for results in the health sector as part of the broader public finance reforms.** Specifically, according to the general law on budgets (the Budget Code) programme classification should become the main basis for appropriation with performance indicators integrated into the regular budget cycle. While in 2019 annual budget law continued to use administrative and economic classifications to regulate appropriation and execution, these are applied at a higher level (i.e. avoiding detailed prior controls) and are better aligned with provider payment methods.

**However, for the effects of these changes to be fully realized in practice, the reforms cannot stop here.** Ministry of Finance

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