

Republic of Palau

Ministry of Health



HOSPITAL TRUST FUND ANNUAL REPORT

January 2015

INTRODUCTION

The Ministry of Health is providing this formal Report on the Hospital Trust Fund (Fund or Trust Fund) at the request of the Olbiil Era Kelulau. This Report offers more detail and analysis than a routine financial or expenditure report to demonstrate the critical need to maintain and increase appropriations of local revenue to support delivery of healthcare services to the community.

Revenue coming into the Fund is often restricted in its use and not available to replace declining local financial support. Some revenue is restricted because it is derived from grant funded programs, such as revenue generated by the Community Health Center. Other revenue is not available to replace local revenue because it represents reimbursement for expenditures for off-island care from National Health Insurance (NHI) and from individual co-payments. That revenue flows through the Trust Fund to be paid out to the off-island provider who has already provided care so it is not available for another purpose, such as purchasing medical equipment and supplies. The revenue and expense data, below, expands on this point, to clarify which funds are available for all expenditures permitted from the Fund by 34 PHC §332.

STATUTORY REQUIREMENTS

The Hospital Trust Fund was first established in February 1995 by RPPL 4-32, Section 46, as a segregated fund to receive revenues collected by the Hospital, Dental Clinic, and Community Health Center, including pharmaceutical sales and accounts receivables. The funds were to be used “at the direction of the Palau Board of Health for promoting and protecting the public health, providing clinical and medical services to the public, and operating and managing public medical facilities, and related matters.”

In May 2008, this statute, codified in 34 PNC §332, was amended and now reads:

(a) The Minister of Finance shall create within the National Treasury a special fund to be identified as “The Hospital Trust Fund” which shall be segregated from other funds of the national government and into which shall be deposited in separate accounts all revenues collected by the Hospital, Dental Clinic, and Public Health/Community Center, including pharmaceutical sales and collection of accounts receivable for same. All monies received pursuant to this section shall be used at the direction of the Minister of Health exclusively for the following purposes:

- (1) purchase of medical and pharmaceutical supplies;
- (2) purchase of medical equipment and parts, services of specialty clinics, maintenance contracts, and other components of hospital operations at the discretion of the Minister of Health; and
- (3) for unavoidable emergencies certified by the Minister of Health. When the Minister of Health certifies an unavoidable emergency, the use of funds shall be exempt from the requirements of 40 PNC Chapter 6.

The Minister shall maintain records of collections from medical referral patients and shall apply all such income to future medical referrals and shall also maintain records and report to the Olbiil Era Kelulau the use of the Trust fund on a quarterly basis.

(b) Any fiscal year-end revenue surplus or deficit of this fund shall cause a budget adjustment to the Hospital Trust Fund in the following fiscal year in the amount of the surplus or deficit. The Palau Board of Health shall submit annual expenditure reports for the Hospital Trust Fund to the Olbiil Era Kelulau within thirty (30) days of the end of each fiscal year.

The statutory section on "Fees for services," 34 PNC §331, contains requirements that apply to the Trust Fund, as well. When referring to the fee schedules allowing subsidized rates for Palauans compared to non-Palauans, this statute requires that funds received based on the fee schedules are deposited into the Trust Fund and requires submitting at least the balance sheet of the Trust Fund account to the Committees on Ways, Means and Financial Matters of both Houses.

REVENUE AND EXPENDITURE REPORT BY FISCAL YEAR

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ROP appropriation (Medical supplies and Drugs only)	600,000.00	1,100,000.00	600,000.00	600,000.00
Revenues:				
2171 Hospital Revenues	1,700,000.00	2,000,000.00	2,572,454.00	3,088,914.34
Expenses:				
Travel & Transportation	-	-	-	13,518.60
Equip tools, parts and repair	5,057.00	9,943.25	32,371.00	109,500.00
General Supplies	1,091.70	48,730.50	38,823.00	84,107.08
Medical Drugs	613,390.42	521,870.01	502,623.00	1,173,589.91
Medical Supplies	658,915.41	989,145.10	1,056,880.00	729,882.40
Total Expenses	1,278,454.53	1,569,688.86	1,630,697.00	2,110,597.99
Remaining Balances	421,545.47	430,311.14	941,757.00	978,316.35

BREAKDOWN OF REVENUE AND EXPENSE BY CATEGORY BY FISCAL YEAR

	2011	2012	2013	2014
2173 Hosp Cafeteria Revenues	-	-	-	36,747.02
HOSP CAFETERIA Expense	-	-	-	20,050.46
<u>Remaining Balances</u>	=	=	=	<u>16,696.56</u>
2175 Medical Referral Program Revenues	231,150.16	192,815.58	81,568.00	53,704.39
Medical Referral Program Expenses	380,727.05	317,232.07	82,408.00	
<u>Remaining Balances</u>	<u>(149,576.89)</u>	<u>(124,416.49)</u>	<u>(840.00)</u>	<u>53,704.39</u>
2178 NHI-Medical Referral Collection	292,064.62	461,787.89	1,153,963.00	977,661.55
2178 NHI-Medical Referral Collection - Medical Expense	279,760.58	925,000.00	1,251,512.00	889,476.09
NHI - Med Refrl - Travel Expense (Visiting Specialist)	-	-	-	123,333.10
Total Expenses	279,760.58	925,000.00	1,251,512.00	1,012,809.19
<u>Remaining Balances</u>	<u>12,304.04</u>	<u>(463,212.11)</u>	<u>(97,549.00)</u>	<u>(35,147.64)</u>
2180 Community Health Center Revenues	-	-	445,462.00	388,102.96
Expense:				
Medical Drugs	-	-	445,462.00	101,251.80
Medical Supplies	-	-	-	138,239.33
Total Expenses	-	-	445,462.00	239,491.13
<u>Remaining Balances</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,611.83</u>
2185 Family Planning Program Revenues	-	-	-	40,482.40
Medical Supplies	-	-	-	9,928.50
<u>Remaining Balances</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,553.90</u>

The expenditures may also be broken down by statutory categories, as follows:

(1) Purchase of medical and pharmaceutical supplies:

- Drug expenditures, \$1,173,589.91; and,
- Medical supplies, \$729,882.40.

(2) purchase of medical equipment and parts, services of specialty clinics, maintenance contracts, and other components of hospital operations at the discretion of the Minister of Health:

- Medical equipment, \$1,029.35;
- Travel and transportation for visiting specialists, \$ 136,851.70; and,
- for general supplies, 75% for oxygen and parts and service for the oxygen machinery and

equipment, send specimen to the Philippines for testing, medical forms for the medical records, and x-ray machine maintenance, \$84,107.

(3) for unavoidable emergencies:

- Machinery & equipment repair of the CT Scan, \$109,500.00.

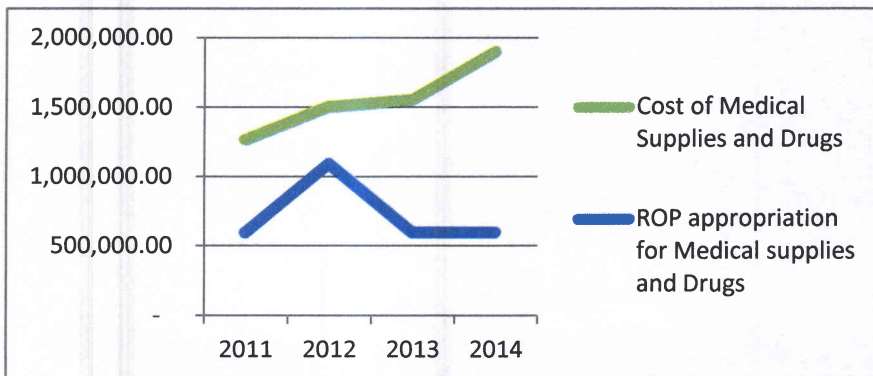
ANALYSIS

The Trust Fund receives significantly more revenue now, compared to prior to 2011, as a result of reimbursements from HCF for off-island and inpatient care. The revenue related to off-island care is not available to cover the increasing expenses for healthcare delivery; it is reimbursement for services from providers that merely flows through the Trust Fund and cannot be used for other purposes. When that revenue is removed from consideration, the remaining increased revenue is still insufficient to cover the increased expenses.

Other revenue is attributed to grants and expenditures are restricted, subject to limitations of the underlying grant. This includes the Community Health Center and Family Planning Program revenue. This revenue passes through the Hospital Trust Fund so that it is non-lapsing and is treated consistently with grant requirements. These funds have limited availability to cover the general expenditures from the Trust Fund.

Also, some revenue, such as payments on old accounts receivables, is unpredictable and will not re-occur in any reliable amount. That revenue stream cannot be relied on to support regular expenditures for purchasing medicines, supplies, and equipment, or to cover the recurring costs of visiting specialists.

The increased cost of supplies and drugs alone (shown in green) absorbs virtually all of the increased reliable revenue not controlled by grants or passed through to cover costs that have already been incurred, such as reimbursements for off-island care. These increased costs, combined with decreased local revenue (shown in blue), means the Ministry does not have enough money to repair or replace expensive machinery and equipment (such as the transformer that needs to be replaced) or to continue increasing the use of visiting specialists, even though these expenditures would reduce reliance on off-island care in the long run.



Please note that the increased cost of medical supplies and drugs is due primarily to increased costs per unit and increased usage of certain drugs.

CONCLUSION

The Ministry of Health is facing increased unit costs of drugs and medical supplies and increasing expenses for maintaining and replacing aging medical equipment and machinery. At the same time, to improve health outcomes, it must continue to develop locally available care options by expanding the use of visiting specialists and building local capacity and managing the use of expensive off-island treatment.

The Healthcare Fund reimbursements help to cover these growing expenditures. The availability of specialized and tertiary off-island care for patients has greatly increased. More than triple the numbers of patients now have access to off-island care as a result of these reimbursements.

But, HCF reimbursements are not enough to cover rapidly rising costs of drugs and medical supplies or increasing maintenance and repair expenses. If HCF shifts its emphasis to developing local capacity, that may be sufficient to cover the existing level of care provided through visiting specialists and will increase its share of covered costs for inpatient care. But, it will not be enough to also absorb the increased costs of drugs and medical supplies or maintenance and repair, and it will not be enough to increase the visiting specialists program. The Ministry of Health requests that the amount budgeted from local revenue be increased to ensure drug and medical supplies are maintained at adequate levels and aging equipment and machinery can be maintained, repaired, or replaced, as needed.

Respectfully submitted to the Olbiil Era Kelulau this 5th day of January, 2015.



Gregorio Ngirmang, Minister of Health