Health Accounts Course

Module 3:

General accounting concepts

Submodule 3.3:

Basic accounting rules

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Content

Basic accounting rules

1. Comprehensive coverage and data completeness
2. Internal consistency
3. Compatibility with other international statistical systems
4. Accuracy
5. Timeliness

Accounting period:

- Accrual accounting method
- Calendar year

Additional Content:

- Questions & Answers
- Suggested reading

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Comprehensive coverage and data completeness

Comprehensive Coverage

The first basic accounting rule refers to **comprehensive coverage**, which means accounting for expenditure on:

- all health care activities – even when amounts are small,
- all organizations involved in health care – whether health care is their main activity or not.

Completeness of data

In all cases, the **data need to be complete,** which means to have all necessary parts or elements.

For example:

Ministry of Health, Social Health Insurance and household out-of-pocket expenditures are usually the largest, and are essential. But all health expenditure is measured, including lower spending amounts, e.g. spending for health care in prisons, even though the main activity of prisons is not health care.

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Internal consistency

The second basic accounting rule is **internal consistency**, which means that general **accounting rules should be applied to all HA components and over time**.

Reporting formats for similar health goods and services between organizations and countries vary. To ensure consistency across systems and over time, their spending should be mapped under identical categories using the same standard codes.

For example: any spending on immunisation programmes should be coded identically (HC.6.2), whether it relates to government data found in budget reports or in private insurance companies' data reported in financial statements. However, regardless of differences between the reporting formats of these data sources, when producing HA, immunisation programmes should be mapped under code HC.6.2 in both of these cases.

For example: a country which has a financing scheme called "social health insurance" but which has neither premiums nor contributions, should classify this scheme as a government scheme (HF.1.1) and not as a social health insurance scheme (HF.1.2.1).

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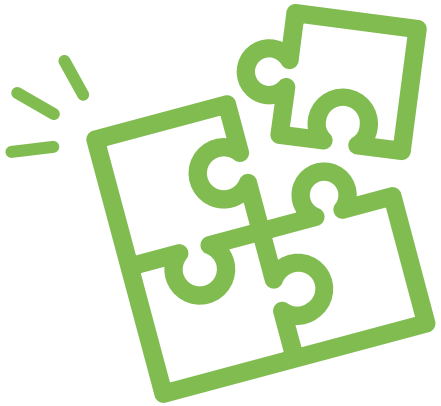
Compatibility with other statistical systems

The third basic accounting rule is the compatibility with other statistical systems. This means that SHA 2011 categories can be linked to those in other systems, such as the System of National Accounts (SNA) and Government Finance Statistics (GFS).



Compatibility also means that it is possible to calculate widely used indicators, based on information from other systems. For example:

- current health expenditure as a share of GDP (CHE/GDP),
- household out-of-pocket spending as a share of household final consumption expenditure (OOP/HFCE).

For example:

SHA household out-of-pocket spending (HF.3) can be methodologically linked to SNA data on Household Final Consumption Expenditure.

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Accuracy

The fourth rule is **accuracy**, which means that all transactions related to health spending should be correctly accounted for.

Accuracy means both:

- The correct mapping according to SHA classifications (ICHA)
- Using the correct values

For example:

When the categories and descriptions in national records do not explain the purpose of the expenditures, or the category labels are misleading, SHA coding becomes difficult.

The budget of the Ministry of Health often uses categories such as "Primary Health Care Services", where it is unclear which specific services or providers are involved. Further investigation is necessary to understand its content and how to correctly code this expenditure.

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Timeliness

The fifth basic accounting rule is **timeliness**, which refers to HA results being available in time to be used for health policy.

There is often a trade-off between accuracy and timeliness, as producing accurate detailed figures takes longer than generating estimates in time for key aggregates. However, when policymakers require data urgently, timely estimates are prioritized over detailed figures.

Therefore, it is recommended to produce preliminary and final versions of HA:

- Preliminary HA figures usually refer to the previous year [t-1].
- Final HA usually refer to the year t-2.
- Preliminary and final data can be revised when new data sources or refined methods become available or provide more detail.
- Revisions may involve back casting of series to avoid methodological breaks, and to ensure comparability in time.

For example:

In Germany, in April of every year the complete set of HA of year t-2 is published. However, figures by HF are also released for year t-1. Therefore, there is usually a revision of HF data in the next year, at the time of publication, based on updated values.

OECD, Eurostat and WHO also require reporting of t-1 preliminary data.

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Accounting period: Accrual method

- HA data should be based on the **accrual method**, which means that expenditures are accounted in the period when the consumption took place, even when the corresponding payment occurs at a different moment in time.
- Opposite to accrual is the **cash method**, which reflects the actual financial exchange, irrespective of when the health care was provided. In most countries, there is a mix of cash and accrual methods in the accounting records of the various health organizations.
- Good practice should involve adjusting expenditure expressed on a cash basis (e.g. records of government budget) to an accrual basis to the extent possible. However, in cases when the adjustment from cash to accrual is similar every year, countries may decide not to adjust.

For example:

Following the accrual method, when a patient receives treatment in December of the year 2024, this expenditure has to be accounted for in the HA of year 2024.

This is the case, regardless of whether the social security reimburses the provider in 2025, or it reimburses in 2025 what the patient paid in 2024.

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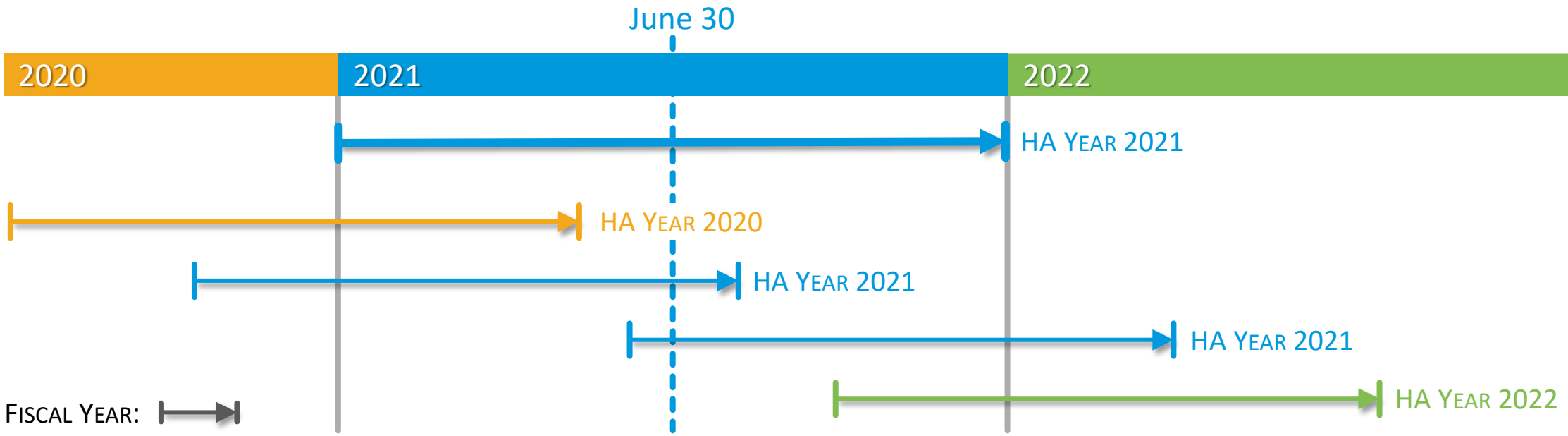
Accounting period: Calendar year

HA refer to a **calendar year**, which means the 12-month period that begins on January 1st and ends on December 31st.

In some countries the government reporting is based on a fiscal year which is not aligned with the calendar year. However, the data for the HA reporting year should be presented for a calendar year. To facilitate this process, the international agreement is that fiscal years beginning up to 30th June are classified as the same year, while fiscal years starting after the 30th of June are classified as the next year.



Questions and answers

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Question & Answer [1]

How can timeliness be ensured, when spending data needed for HA is released late?

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Question & Answer [1]

How can timeliness be ensured, when spending data needed for HA is released late?

By releasing **preliminary** timely data and presenting **final** data once the definite figures become available.

Revisions may also be needed when data and/or methods are improved

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Question & Answer [2]

Should health spending incurred outside the health system be included?

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Question & Answer [2]

Should health spending incurred outside the health system be included?

Yes, it is important to include **all health spending** to insure **comprehensiveness**.

Most health spending occurs in the core health system, but scattered resources also need to be measured.

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Question & Answer [3]

When should calendar year adjustments be made?

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Question & Answer [3]

When should calendar year adjustments be made?

HA should be reported for the calendar year. When a country's fiscal year differs from the calendar year, data should be adjusted accordingly. This improves comparability over time and across countries.

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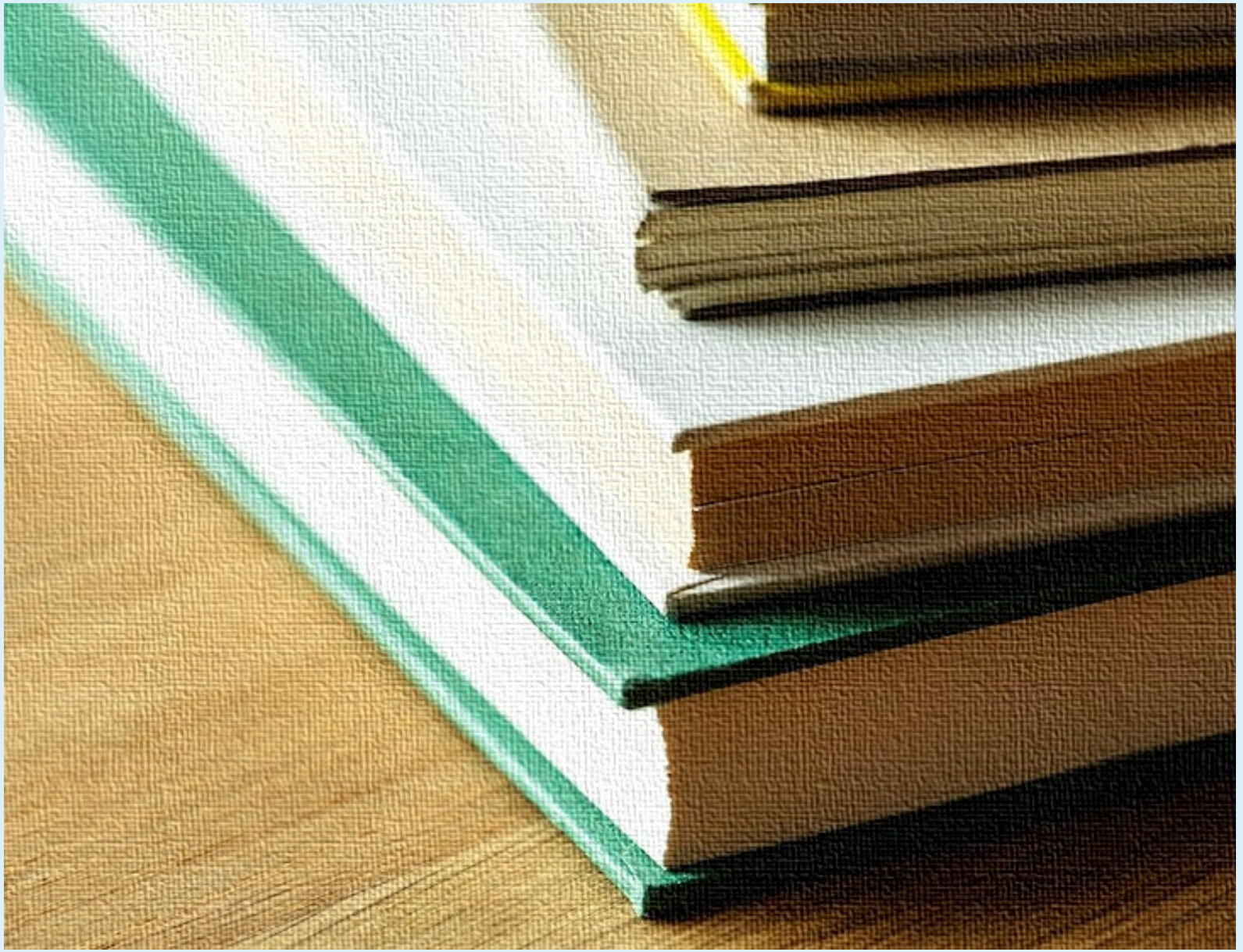
Suggested reading



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Suggested reading

- OECD, EUROSTAT, World Health Organization. A System of Health Accounts 2011: Revised edition. Paris: OECD Publishing; 2017. Chapter 14. Available from: https://www.who.int/publications/i/item/9789240042551
- Pan American Health Organization. Best Health Accounting Practices Using SHA 2011. Washington, DC: PAHO; 2023. Sections 2.2.3, 5.4 and 8.2 https://iris.paho.org/bitstream/handle/10665.2/57137/PAHOHSSHS220037_eng.pdf
- Global health data methods. National Health Accounts. https://globalhealthdata.org/national-health-accounts/

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Health Accounts Course

Module 3: General accounting concepts

Submodule

3.1 Health expenditure boundary

3.2 Triaxiality principle, dimensions and classifications

3.3 Basic accounting rules

This is the end of the third submodule "Basic accounting rules" of Module 3: General accounting concepts.

Join us for Module 4 of the course, where you will learn about Institutionalization of Health Accounts.

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