Total-37 letters) SRD 3(I)

No.P.17018/19/2011-RHS/NRHM IV
Government of India
Ministry of Health & Family Welfare

Nirman Bhawan, New Delhi
Dated; 25/8/11

To
MDs of all States/UTs.

Subject:-Differential Financial Approach for comprehensive healthcare.

Sir/Madam,

I am directed to say that the need for Differential Financial Approach for comprehensive healthcare had been under consideration in this Ministry. A Background Note detailing the following points on above subject which was considered by MSG is enclosed herewith:-

(1) Background
(2) Need for Differential Financing
(3) Re-organisation of Health Facilities
(4) Proposed Norms of Flexible Financing
(5) Need for Flexibility at District Level.

The proposal has been considered by the MSG in its meeting held on 21-6-11. The MSG approved revision of norms for untied funds and RKS grants for health facilities as recommended by the EPC. The MSG also decided to empower District Health Society to reallocate upto 15% of the admissible untied funds and RKS grants. You are requested to incorporate the financial requirement accordingly in the PIP of the next financial year.

(Rekha Chauhan)
Under Secretary to the Government of India
Tel.No.23062959

AGENDA FOR MISSION STEERING GROUP of NRHM:

Differential Financial approach for comprehensive healthcare

1. Background

The existing primary healthcare system provides both facility based and outreach services. While the facility provides OPD as well as treatment facilities, outreach services include immunization sessions, check up of pregnant women, community based health awareness and check up camps, etc.

The services in the health facilities in a district are organised as under:

Type of health institution	**Level of institution**	**Manpower and other resources envisaged**	**Services provided**
Sub-centre	*Panchayat* level, for 5000 population (3000 population in hilly areas)	1 female and 1 male health worker. Facility for OPD, immunization and normal delivery	MCH: antenatal, postnatal care, skill birth attendant (SBA) assisted normal deliveries, immunization Other: TB medicines, malaria slide testing and medicines, screening and follow-up for other disease control programmes.
Primary Health Centre (PHC)	For 30,000 population in rural areas (20,000 for hilly areas)	1 doctor, 1 nurse, 1 pharmacist, and 1 lab technician. 6-10 beds, labour room, laboratory and pharmacy	MCH: antenatal and postnatal complications, institutional deliveries including complicated deliveries not requiring surgery, immunization Other: OPD and limited in-patient care for other diseases/health conditions
Community Health Centre (CHC)	At Block level, mostly covering 1.2 lakhs population (90,000 for hilly	Apart from doctors and nurses, 4 specialists, (obstetrician/gynaecologist, surgeon, anaesthetist,	MCH: antenatal and postnatal complications, institutional deliveries including caesarean, sick newborn care,

health institution	institution	manpower and other resources envisaged	Services provided
	areas)	paediatrician). 30-50 bedded with lab, x-ray, ultrasound, operation theatre, labour room, blood bank/blood storage unit	treatment of severe malnutrition Other: specialised care of all diseases
Sub-Division Hospital/ District Hospital (SDH/DH)	At Sub-Division/ District level	100-500 bedded hospital with lab, x-ray, ultrasound, operation theatre, labour room, blood bank/blood storage unit	MCH: antenatal and postnatal complications, institutional deliveries including caesarean, sick newborn care, treatment of severe malnutrition Other: specialised care of all diseases

With the launch of the National Rural Health Mission (NRHM) in 2005, it was envisaged that PHCs should be upgraded as 24x7 PHCs providing Basic Emergency Obstetric and Newborn Care (BEmONC), with 2 doctors and 3 nurses, facility based newborn care (FBNC), functioning round-the-clock. It was also envisaged CHCs, SDH and DHs should be strengthened as First Referral Units (FRU) providing Critical Emergency Obstetric and Newborn Care (CEmONC), with fully functional operation theatre, blood bank/blood storage units, sick newborn care units (SNCU) and malnutrition treatment centres (MTC).

Under NRHM, apart from funds provided for upgradation/improvement of health facilities, human resources (contractual appointments), equipment, supplies and medicines, training and capacity building, untied flexible funds are provided to health facilities to improve the quality of care.

The funds for the health facilities are in the nature of Untied Funds (to be used at the discretion of the facility in-charge, mainly treated as contingency funds), Annual Maintenance Grant (given only to facilities that are operating in Govt buildings and to be used for routine maintenance and upkeep of health facility), and *Rogi Kalyan Samiti* grants (meant for facility development wherever management Societies are formed at the facility level in the form of *Rogi Kalyan Samiti* – RKS).

The norms for providing resources to health facilities under NRHM are as under:

Levels of facility	Annual Maintenance Grant (AMG) **	Untied Funds (UF)	RKS Grants (RKS)	Total (annually)
Sub-centre	Rs. 10,000	Rs. 10,000	---	Rs. 20,000
PHC	Rs. 50,000	Rs. 25,000	Rs. 1,00,000	Rs. 1,75,000
CHC/SDH	Rs. 1,00,000	Rs. 50,000	Rs. 1,00,000	Rs. 2,50,000
District Hospital	---	---	Rs. 5,00,000	Rs. 5,00,000

** for facilities functioning in Government buildings.

2. Need for Differential Financing

Although NRHM envisaged that all Sub-centres would provide skill birth attendant (SBA) level care, in effect less than 10% of the Sub-centres are able to provide facilities for deliveries. Most of these centres are mainly engaged in outreach and community based services including screening and drug dispensing for various disease control programmes.

Similarly all PHCs and CHCs could not be made functional as 24x7 PHCs and FRUs and provide services specially for maternal and child health care at the desired level. The case load at the facilities also varies widely. However, in spite of the difference in the level of services provided, the funding for the Sub-centres, both 24x7 and non-24x7 PHCs, and both FRUs and non-FRU CHCs, are at the same level. As a result while the resources become surplus for facilities having low case load and not conducting institutional delivery, it is often inadequate for institutions having substantial case load and large number of deliveries including caesarean cases.

If the load of institutional deliveries across all health facilities at the levels of Sub-centres-PHC-CHC-DH are considered, it should be in the ratio of 5%-20%-30%-45%, whereas funding support to these health facilities for mother and child health (MCH) related activities are distributed in the ratio of 39%-37%-22%-1%. Thus, whereas the district level hospital caters to 45% of the delivery load of the district, it gets only 1% of the funding meant for health facilities.

The disparity between the types of services offered by various health facilities, the volume of patients they handle and the amount funds they receive for facility development and untied funds therefore calls for a differential financing approach based on rationalisation of funds and resources.

3. Re-organisation of Health Facilities

In view of the differences within same levels of health facilities, the Ministry of Health and Family Welfare has developed revised guidelines for Maternal and Newborn Health (MNH), whereby it has proposed to identify health facilities by 3 levels. This categorisation by levels is irrespective of the present nomenclature (Sub-centre, PHC, CHC, etc.).

The revised levels of health facilities, as per the MNH guideline, are as follows:

Level-I: Sub-centres and PHCs providing basic SBA level delivery care

Level-II: Health facilities (PHC/CHC) providing institutional deliveries, including management of complicated deliveries not requiring surgery, along with other RCH services like MTP, sterilisation, sick newborn care, etc.

Level-III: hospitals (CHC/SDH/DH) providing Critical Emergency Obstetric and Newborn Care (CEmONC) and family welfare services, with fully functional operation theatre, blood bank/blood storage units, sick newborn care units (SNCU) and malnutrition treatment centres (MTC)

It may be noted that facilities designated as level I, II or III, will continue to provide other health services that they were providing as the regular nomenclature (Sub-centre/PHC/CHC). Also, facilities not designated as level I, II or III will also continue to provide the other services (services other than designated MCH services). Thus in effect, designation as level I, II or III is merely grading a facility on MCH services, not affecting its other "package" of services.

After detailed exercises with States, it was found the following proportion of health facilities would constitute these new levels:

Level-I: around 10% of the Sub-centres, 80% of the PHCs, and 2-3% of the CHCs

Level-II: around 20% of the PHCs and 60% of the CHCs

Level-III: around 35-40% of the CHCs and all district/sub-district level hospitals.

In light of the above, it makes economic sense in concentrating resources and funds in the designated level-II and III facilities, to account higher level of volume and complexity of services.

4. Proposed Norms of Flexible Financing

In light of the need for different levels of funding, proportional to the levels of complexity and caseload handled in different government health facilities; it is proposed that the untied grants and RKS funds meant for health facilities may be made flexible. The Annual Maintenance Grant (AMG) may however, be kept at the same level and for facilities functioning in Govt. buildings.

The suggested levels of untied and RKS funds for various levels of health facilities conducting institutional deliveries are as under:

Levels of Health Facility	Existing norms (Untied Funds + RKS Grants) - Untied funds	Proposed norms for grants per year	*Conditionality*
Level-I	Sub-centres: Rs. 10,000 PHC: Untied funds - 25,000 RKS funds 1,00,000 1,25,000	Sub-centre: untied funds - Rs. 30,000 PHCs 1,00,000 Untied funds – 25,000 RKS 75,000 *(additional Rs. 25,000 RKS funds for PHCs conducting more than 20 deliveries per month)*	*More than 5 deliveries conducted per month, i.e. more than 60 deliveries per year; with minimum 2 female health workers* *Higher slab for more than 20 deliveries per month.*
Level-II	PHC: Rs. 1,25,000 CHC/SDH: Rs. 1,50,000	PHC: UF 50,000 RKS 1,00,000 Rs. 1,50,000 CHCs & SDH: UF 50,000 RKS 1,25,000, 1,75,000 *(Additional RKS funds of*	*More than 50 deliveries per month, including complicated deliveries not requiring surgery, AND sterilisation (male/female), safe abortion, facility based newborn care; with minimum 2 doctors and 3 nurses*

		Rs. 75,000 per year for facilities conducting more than 100 deliveries per month)	
Level-III	CHC/SDH: Rs. 1,50,000 DH: Rs. 5,00,000	CHC/SDH: Rs. 2,50,000 per year for hospitals with less than 100 beds. <u>District Hospital:</u> Rs. 5,00,000 per year to hospitals with more than 100 beds, up to 200 beds. Hospitals with more beds may get additional Rs. 1 lakh for each 100 beds. (*i.e. a CHC of 30 beds and SDH of 100 beds will get Rs.2.5 lakhs, a 300-bedded hospital gets Rs.6 lakhs and a 500-bedded facility gets Rs.8 lakhs*)	*Minimum 200 deliveries per month, including caesarean sections AND family welfare services, with fully functional operation theatre, blood bank/blood storage units, sick newborn care units (SNCU) and malnutrition treatment centres (MTC); with minimum 5 specialists, 7 doctors and 9 nurses.*

The sub-centres /PHCs who are not designated as MCH Centres and do not conduct institutional deliveries shall receive untied funds and RKS funds at the following scale:

<u>Sub-Centres:</u>

Untied Funds Rs. 10,000

Annual Maintenance Grant Rs. 10,000 for facilities running at Govt. premises.

<u>Primary Health Centres:</u>

Untied funds Rs. 25, 000

RKS funds Rs. 25,000 (reduced from existing level)

Annual Maintenance Grant Rs. 50.000 (for premises running in Govt. buildings)

Even though the level of funding to various categories of facilities have been differentiated based on the norms suggested above, it is possible that the requirement and utilisation of funds maybe lower in some facilities whereas some facilities may need additional funds. Therefore, the District Health Society may be empowered to make a proper assessment of the workload of the institution and the level of utilisation of annual maintenance funds and untied/RKS funds and make reallocation to the extent of 10-15% of the admissible amount if so required to ensure better and proper utilisation of funds. For example, if a facility does not require or is not in a position to utilise the allocated funds, the DHS can curtail up to 15 per cent of its allocation and provide the same amount to another other facility that may require additional support.

Empowered Programme Committee under NRHM in its 12th meeting considered and approved the above approach.

5. Approval of the Mission Steering Group sought for:

(i). Revision of norms for Untied Funds and RKS grants for health facilities as per details given in Para 4 above.

(ii). Empowering District Health Society to reallocate upto 15% of the admissible Untied Funds and RKS grants to ensure better and proper utilization of funds.