# Evaluation Study of Cost Recovery of Hospital Development Committee in Nepal

Karki DK

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**Background**

Different levels of public hospitals represent important health care outlets in Nepalese context. At the same time, the government of Nepal is going to handover its all health care facilities to local bodies by making them more autonomous through health care reform strategies. However, there is very little understanding from evidence whether these health institutions will be able to stand autonomously. Virtually, no or very less information is available regarding the efficiency status as well as the cost recovery status of public hospitals in Nepal.

**Methods**

This study applied quantitative and qualitative research methods for data collection and analysis. Step-down approach was used to distribute costs into three major cost centres: overhead, intermediate and final service departments. Hospitals were selected conveniently based on the variety of services components. Altogether 16 hospitals - 3 central, 1 regional, 3 zonal and 9 district level hospitals – were studied. A total of 367 in- and out- vii patients enrolled for semi-structured interviews. Focus group discussions in 6 hospitals and 23 in-depth interviews were conducted in different hospitals. Quantitative data were expressed through descriptive statistics whereas qualitative information were collected and analyzed based on the grounded theory approach with native reflections.

**Results**

Budget allocated by the government was the major source of income for all levels of hospital. Income from the different services provided by the hospital was another major source of income for almost all hospitals. Cost recovery rate of the hospitals as a whole was not found satisfactory. Among all hospitals, Solu hospital had the best cost recovery status whereas BP Koirala Memorial Cancer Hospital had the lowest cost recovery rate in 2003. Qualitative findings suggested that hospitals are not financially sustainable. Frequent transfer of staff, a lot of vacant posts and hospital development board without autonomy were the major hindrances for the smooth functioning of those hospitals.

**Conclusions**

The hospitals could grow to gain cost recovery status and financial sustainability if the hospital development boards are provided adequate decision space for its autonomy. The role of government should be facilitating and monitoring the quality of hospital services rather controlling the hospital management activities directly.

**Keywords:** autonomy; cost recovery; expenditure; hospitals; income.