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# **SIMPLIFIED BUDGET: HEALTH 2014**

**"INCREASING CIVIL SOCIETY PARTICIPATION IN  
NATIONAL POLICY DIALOGUE IN ARMENIA"  
ENPI/2013/334643**

**July 2014**

## **ABOUT THE INITIATIVE**

Economic Development and Research Center (EDRC) is a non-partisan think-tank aimed at analysing and monitoring of public policies and programs. Since 2001, EDRC carried out numerous projects with a special focus to budget analyses in various sectors.

Convinced of the crucial importance of direct interrelation between public programs with programmatic goals, objectives and targets as well as implementation efficiency and public satisfaction regarding these programs, EDRC strives to professionally contribute to policy development processes and discussions.

In collaboration with OXFAM GB, the “Increasing Civil Society Participation in National Policy Dialogue in Armenia” project was launched in 2014. EDRC develops simplified state budgets for Social Protection, Health and Agriculture Sectors, works to increase budget literacy and analytical capacities of Civil Society Organizations and will carry out monitoring and evaluation of budget programs and public policies.

The 2014 Simplified Health Budget is an analytical publication targeting a large audience from various groups of society. It aims to increase awareness and create bases for efficient cooperation between the civil society and public sector and promote more informed discussions and decision-making.

The main source of information used for developing this publication is the RA Annual Budget Law, and also other official documents and data. The 2014 budget data (if not otherwise specified) refers to programmed/projected indicators, while previous years data are actual.

For comments and suggestions please contact EDRC office: [info@edrc.am](mailto:info@edrc.am).

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**2014 SIMPLIFIED BUDGET: HEALTH**

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## GENERAL OVERVIEW

- 2014 Annual Budget Law of the Republic of Armenia was approved as follows: Revenues – AMD 1,135.9 bln, Expenditures - AMD 1,246.4 bln and budget Deficit – AMD 110.5 bln which constitute respectively 24.0%, 26.4% and 2.3% of the GDP.
- 6.5 % of total Budget Expenditures or AMD 80.7 bln is earmarked for expenditures in Health sector which exceeds the 2013 expenditures by 25.4%. This growth indicator is incomparably higher than in previous years.
- The main goals of Healthcare public policy in Armenia are increasing affordability of and access to medical services, as well as improvement of health parameters of the population through improved quality of services.
- The main cost drivers for the Health expenditures in 2014 are increased salaries of staff, decreased number of beneficiaries under Outpatient services and extended framework of socially vulnerable beneficiaries.  
Public finances earmarked for public Health, although grew, nevertheless, did not demonstrate a stable growth trend. The sector continues to be deprived of being considered a high priority, public intervention continues to remain small: the share of Health budget in total Budget Expenditures and in the GDP grew by only 0.3 percentage points during 2008-2014, reaching 6.5% and 1.7% respectively.
- Absolute values of financing and growth thereof do not yet prove that the provided medical services grew. Health expenditures in 2013 in real terms were still below the 2008 level, while under projected 25.4% nominal increase in 2014, the 2008 level will be exceeded by only 18.4%.
- Healthcare sector in Armenia is financed through 5 budget groups: "Hospital Services" and "Outpatient Services" are the largest expenditure items with total allocations constituting 42.2% and 33.5% of total Health budget respectively. Meanwhile, "Public Health Services" and "Medical Products, Appliances and Equipment" have small shares in the total budget: 4.9% and 3.7% respectively.
- The fifth group – "Health (not elsewhere covered)" – is quite large and totals to 15.6% of the budget. This is the only expenditure group with increased share in total Health budget in 2014. "Outpatient Services" gradually lose their priority in sector policies to "Hospital Services". During 2008-2014, the share of "Hospital Services" in total sector budget increased by 3.5 percentage points, while the share of "Outpatient services" decreased by 3.8 percentage points.
- More than 70% of increased allocations in absolute terms in Healthcare sector AMD 16.4 bln in 2014 are determined by increased budget of "Hospital Services" and "Health (not elsewhere covered)" groups.
- Contributions of "WB Disease Prevention and Control project" and "Medical Services to Socially Vulnerable and Special Groups of Population" to the increased Health allocations are significant: they provided for 39% and 18.9% of the total increase respectively.

- “Disease Prevention and Control” project is the largest program among 54 programs in Healthcare sector with total budget of AMD 7.3 bln. 76.7% of allocations to this program will be funded from WB credit proceeds. The project will include modernization of oncological services, construction of a radiation center, provision of necessary equipment, as well as other measures to increase efficiency of hematological and oncological services.
- 2014 Health budget will not allow for providing more services than in 2013. Increased allocations to this sector are mostly determined by increased staff salaries in the sector and increased utility tariffs. Neither the number of beneficiaries, nor the number of treated cases will increase. The exception is the Medical services to socially vulnerable and special groups of population, beneficiaries of which are projected to increase by 43%.
- As compared to 2013, fewer specialized hospital services, as well as gynecological and emergency medical services are projected to be provided to the population in 2014.
- Compensations for cases eligible for co-financing mechanism by the Government will not increase.
- The share of externally financed projects is large: they constitute 12% of Health budget: 75.5% of total allocations will be funded from credit proceeds, 4.6% - from grant proceeds, while 19.9% - from the Government co-financing.

## BUDGET ALLOCATIONS TO HEALTH SECTOR IN 2014

**Healthcare** is a priority area for the public policy in Armenia main goals of which are early identification of illnesses, prevention, diagnosis and curing, as well as increasing affordability of medical services and quality assurance.

Total public Health budget in 2014 is AMD 80.7 bln which exceeds the previous year budget by 25.4% or AMD 16.4 bln. As a consequence, Health allocations in the total budget expenditures equal to 6.5%, while as share of GDP – 1.7%, representing increases of 0.9 and 0.2 percentage points respectively.

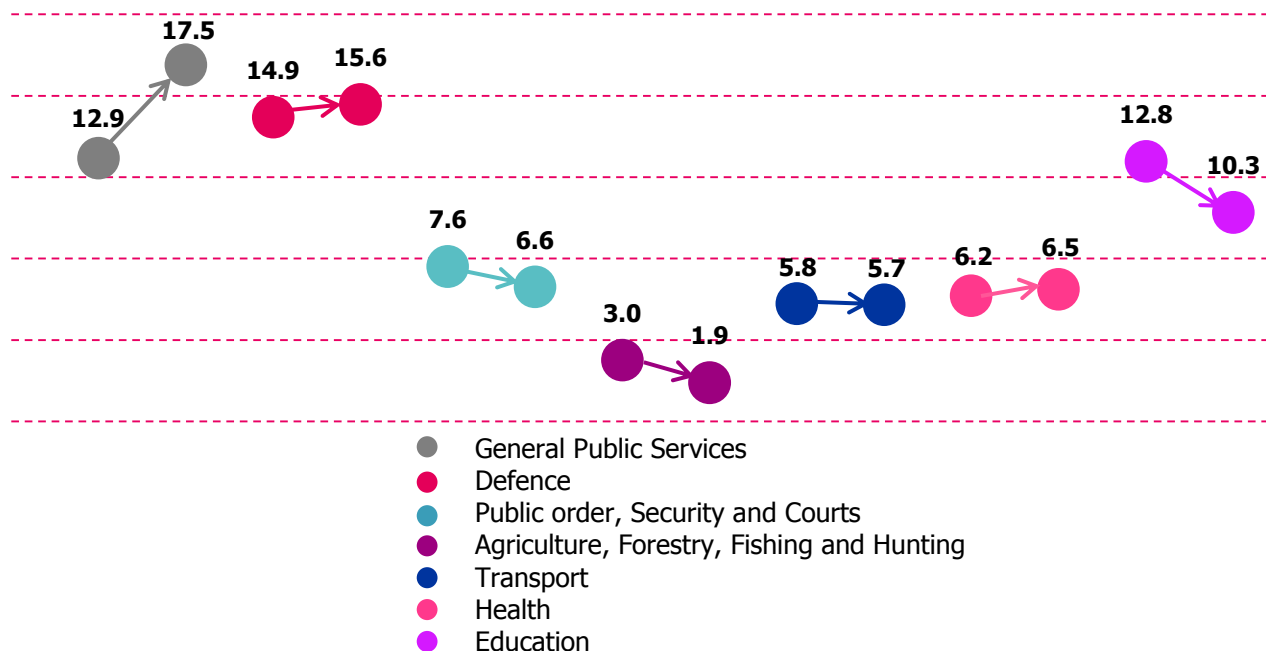
**Table 1. Public Expenditures in Health Sector, 2008-2014**

	2008	2009	2010	2011	2012	2013	2014
<b>Increase in Health Budget, %</b>	6.7	12.4	-0.1	12.8	1.9	-0.2	25.4
<b>Increase in Total Budget Expenditures, %</b>	27.7	14.6	2.7	3.4	2.0	13.6	9.1
<b>Health Budget in GDP, %</b>	1.4	1.8	1.6	1.7	1.6	1.5	1.7
<b>Total Budget Expenditures in GDP, %</b>	22.7	29.6	27.6	26.1	25.2	26.7	26.4
<b>Health Budget share in Total Budget Expenditures, %</b>	6.2	6.0	5.9	6.4	6.4	5.6	6.5
<b>Health Budget, AMD bln</b>	50.0	56.2	56.1	63.3	64.5	64.4	80.7
<b>Health Budget in 2008 prices, AMD bln</b>	50.0	54.3	50.2	52.5	52.2	49.2	59.2

Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, 2014 Annual Budget Message, NSS of RA, EDRC calculations

Figure 1 depicts the relative sizes of public interventions in a number of sectors and allows assessing the role and priority of Healthcare sector.

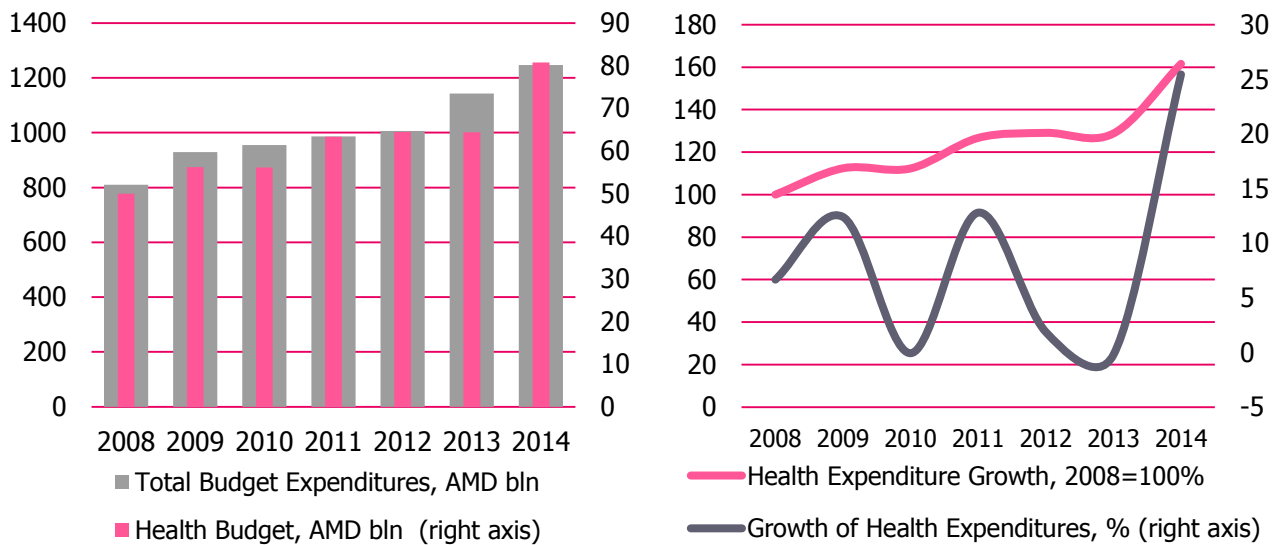
**Figure 1. Shares of Budget Expenditure Functions in Total Budget Expenditures, 2008 and 2014, %**



Source: 2014 Annual Budget Law, 2008 Annual Budget Implementation Report, EDRC calculations

Figure 2 shows state budget expenditures and expenditures in Health since 2008. Notably, Health allocations on average demonstrated an increasing trend: average annual growth rate for 2008-2013 equals to 5.4%. However, growth rate is not stable: public expenditures in Health sector grew by 1.9% in 2009; meanwhile they even decreased in 2010 and 2013. Projected increase of 25.4% in 2014 is the highest since 2008.

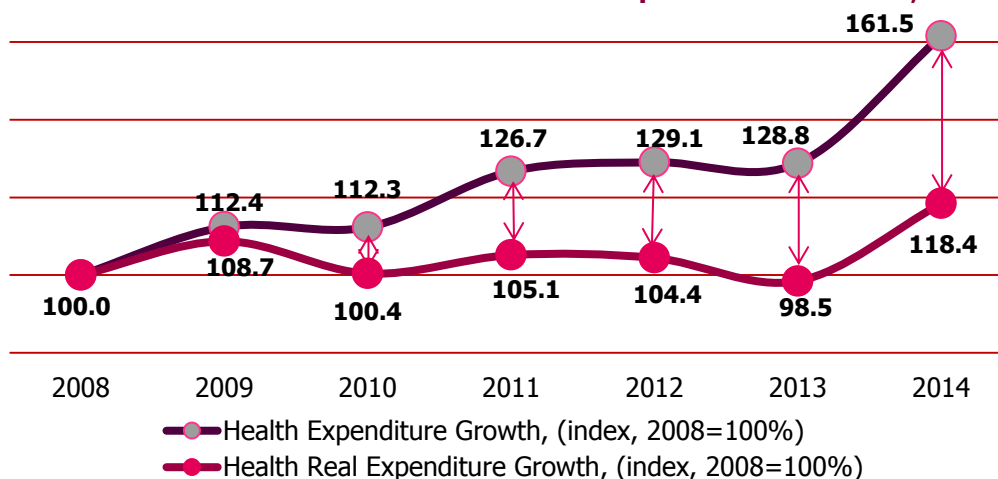
**Figure 2. Health Expenditures and Total Budget Expenditures, 2008-2014, AMD bln**



Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, NSS of RA, EDRC calculations

Despite the fact that expenditures in Healthcare sector increased in nominal terms in the recent years, real expenditures fell due to price inflation. In order to assess the volumes of publicly-funded services provided in Healthcare sector it is necessary to analyze the real volumes of public expenditures. To that end, we used the consumer price index. As can be seen from Figure 3, real expenditures in Healthcare sector in 2013 were lower than in 2008 by 1.5%, while if they increase by 25.4% in 2014, they will exceed the 2008 level by only 18.4% in real terms.

**Figure 3. Nominal and Real Growth Indices of Public Expenditures in Health, 2008-2014, %**



Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, NSS of RA, EDRC calculations

## STRUCTURE OF PUBLIC EXPENDITURES IN HEALTH SECTOR

Health sector in Armenia is financed through 5 budget groups:

- Medical Products, Appliances and Equipment
- Outpatient Services
- Hospital Services
- Public Health Services
- Health (not elsewhere covered)

The largest among the above mentioned groups is “**Hospital Services**” group, allocations to which constitute 42.2% of the sector allocations or AMD 34.1 bln. Public money allocated to this group increased by 25.2% compared to 2013, however its share in the total Health budget is almost unchanged. The group includes general and specialized hospital services, as well as mother and child medical hospital services.

**Table 2. Health Expenditure Groups in 2013 and 2014**

	Group	Number of Programs	2013 AMD bln	2014		2014/2013, %
				AMD bln	Share in total, %	
1	Medical products, appliances, and equipment	2	2.7	3.0	3.7	11.8
2	Outpatient services	13	23.3	27.1	33.5	16.3
3	Hospital services	14	27.2	34.1	42.2	25.2
4	Public health services	7	3.2	4.0	4.9	23.2
5	Health (n.e.c.)	18	7.9	12.6	15.6	58.7
	<b>Total Healthcare Sector</b>	<b>54</b>	<b>64.4</b>	<b>80.7</b>	<b>100.0</b>	<b>25.4</b>

Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, EDRC calculations

The next largest group is “**Outpatient Services**”. Programs on ambulatory and policlinic spheres are included in this group. The total budget of this group for 2014 is AMD 27.1 bln or 33.5% of total sector allocations. The largest public program in the sector is also included in this group – “Primary Healthcare Services to the Population” with total budget of AMD 9.8 bln.

Shares of the other two groups – “Public Health Services” and “Medical Products, Appliances and Equipment” – are relatively small: 4.9% and 3.7% respectively.

Programs under “**Public Health Services**” target measures to prevent various epidemics. In 2014, AMD 4.0 bln is allocated to this group against AMD 3.2 bln in 2013.

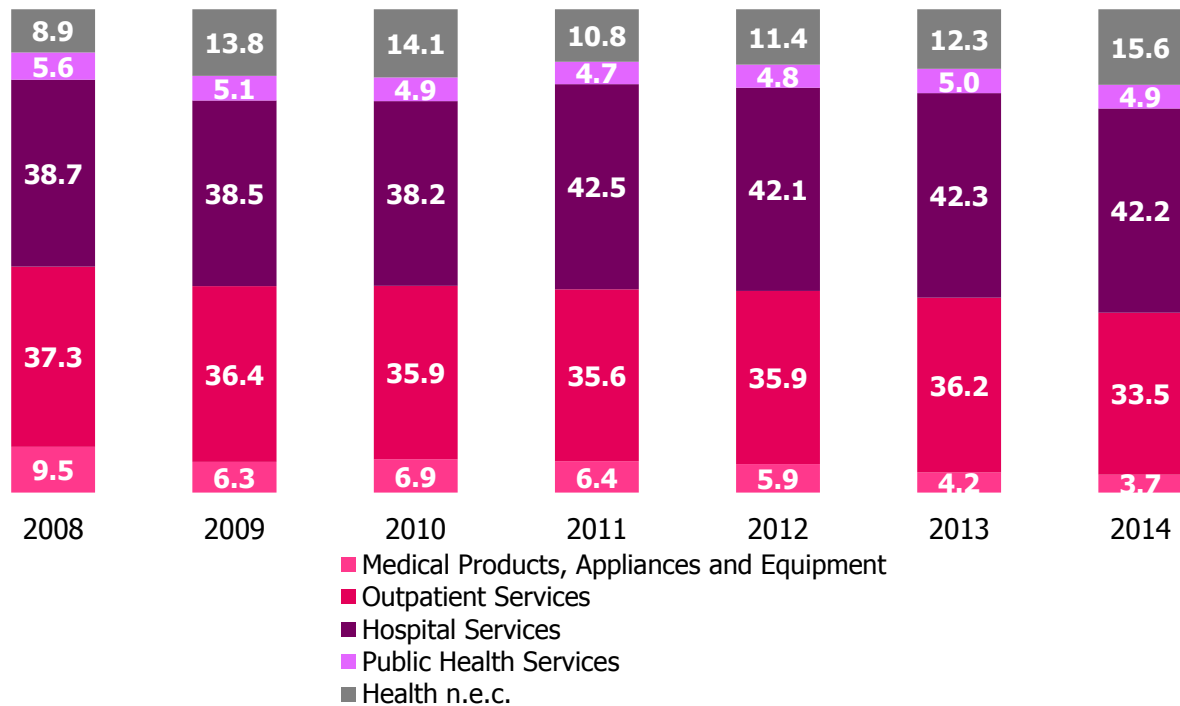
Programs under “**Medical Products, Appliances and Equipment**” mostly target provision of necessary medicaments to vulnerable groups of population. Allocations to this group in the current year are AMD 3.0 bln which is higher from the previous year expenditures by AMD 0.3 bln or 11.8%.

The last group – “**Health (not elsewhere covered)**” – is quite large and constitutes 15.6% of total sector budget. Along with auxiliary services to Healthcare sector, this group also includes credit and grant projects in this sector. In 2014, AMD 12.6 bln is allocated to this group – 1.6 times more than in 2013.



Health budget underwent significant structural changes during 2008-2014 reflecting the intra-sectoral policy directions. As can be seen from Figure 4, the share of "Hospital Services" increased significantly during the abovementioned period from 38.7% to 42.2%. "Health (n.e.c.)" share increased by 6.7 percentage points and reached 15.6%. Instead, the share of "Outpatient Services" decreased by 3.8 percentage points.

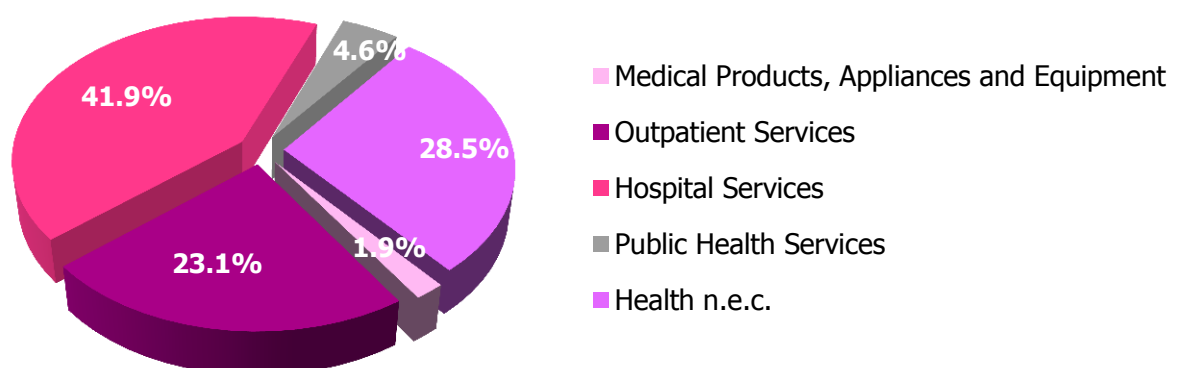
**Figure 4. Health Budget Breakdown in 2008-2014, %**



Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, EDRC calculations

Health allocations increased by AMD 16.4 bln in 2014, large share of which – about 42% or AMD 6.9 bln – is the increase in allocations to Hospital services. The shares of "Outpatient Services" and "Health (n.e.c.)" also represent a significant increase in the total sector allocations: 23% and 29% respectively.

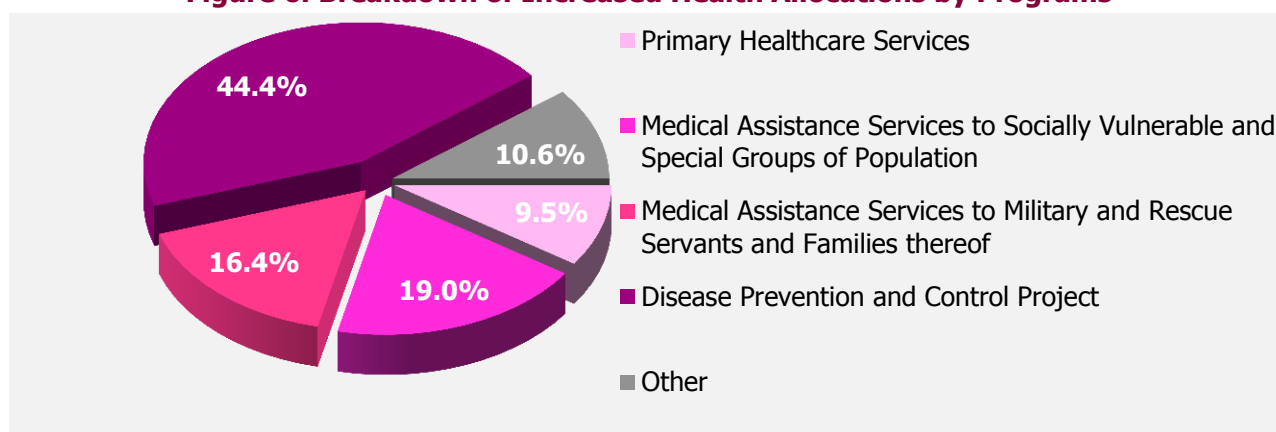
**Figure 5. Breakdown of Increased Health Allocations by Groups**



Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, EDRC calculations

It is also worthwhile to discuss the breakdown of the increase in the Health budget per programs. 54 public-funded programs will be implemented in 2014 in contrast to 57 programs in 2013. Allocations to only 4 programs exceed AMD 1 bln. The latter altogether provide for 90% of the increase in sector allocations. In particular, 44% of total increase is ensured by the WB "Disease Prevention and Control" project (see Figure 6). Another 19% of increased allocations are provided by increased allocations to "Medical Assistance Services to Socially Vulnerable and Special Groups of Population", while 16% - by increased allocations "Medical Assistance Services to Military and Rescue Servants and Families thereof". Notably, the last program does not assume changes in the number of beneficiaries or services, though: it has been moved from the Social Protection sector "Social Benefit Package to Public Sector Employees" to Health budget.

**Figure 6. Breakdown of Increased Health Allocations by Programs**



Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, EDRC calculations

## BUDGET PROGRAMS IN HEALTH

### • Medical Products, Appliances and Equipment

Allocations to "Medical Products, Appliances and Equipment" are intended for provision of medicaments for certain illnesses to vulnerable groups. In 2014, allocation to this group increased by 11.8% reaching around AMD 3 bln or equivalent to 3.7% of total sector budget.

"Medical Products, Appliances and Equipment" group contains one class – Pharmaceutical Goods (see Table 3).

More than 99.9% of group allocations are intended for the **Provision of medicaments to persons treated in ambulatories, polyclinics and hospitals and persons included in special groups**. Allocations to this program increased by 11.8% since last year. It implies centralized procurement of medicaments. In particular, medicaments for malignant neoplasms, diabetes, epilepsy, periodic illness, as well as for those who had kidney transplantation and psychotropic medicaments are purchased under this program.

**Table 3. Medical Products, Appliances and Equipment Group Expenditure Programs in 2013 and 2014**

	Programs	2013 AMD mln	2014		2014/2013 %
			AMD mln	Share in total, %	
	<b>Pharmaceutical items</b>	<b>2,671.0</b>	<b>2,985.9</b>	<b>100.00</b>	<b>11.8</b>
1	Provision of medicaments to persons treated in ambulatories, polyclinics and hospitals and persons included in special groups	2,670.4	2,984.8	99.96	11.8
2	Provision of medicaments to State Protection Service	0.6	1.1	0.04	91.9

Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, EDRC calculations

### • Outpatient Services

Programs under “Outpatient Services” group target development of primary healthcare, improvement of ambulatories-polyclinics, strengthening of prevention and expanding affordability of medical assistance. Despite that the latter continue to remain the main challenges of the sector, share of allocations to them in the total sector budget decreased by 2.7 percentage points, thus, reaching 33.5%.

Under “Outpatient Services”, 13 programs are implemented in Armenia which is categorized into 4 classes: general medical services, specialized medical services, dental services and paramedical services. It is worth noting that, **HIV/AIDS Prevention and Medical Service** program was added to this group in 2014 which previously was under “Public Health Services” group.

**Table 4. Outpatient Services Group Expenditure Programs in 2013 and 2014**

	Programs	2013 AMD mln	2014		2014/ 2013 %
			AMD mln	Share in total, %	
	<b>General medical services</b>	<b>8,247.2</b>	<b>9,802.8</b>	<b>36.2</b>	<b>18.9</b>
1	Primary healthcare services	8,247.2	9,802.8	36.2	18.9
	<b>Specialized medical services</b>	<b>5,915.7</b>	<b>7,264.2</b>	<b>26.8</b>	<b>22.8</b>
2	Specialized medical assistance services	2,630.9	3,464.7	12.8	31.7
3	Hemodialysis services	1,649.1	1,800.0	6.7	9.2
4	Obstetrical-gynecological medical assistance services	1,223.2	1,418.7	5.2	16.0
5	Evaluation and rehabilitation services to children with mental, physical, motive and other disorders	198.0	223.0	0.8	12.6
6	Treatment services for illnesses requiring continuous care and certain group of illnesses	141.6	142.0	0.5	0.3
7	HIV/AIDS prevention and treatment services <sup>1</sup>	-	132.1	0.5	13.8
8	Sports medicine and doping-control surveillance services	72.9	83.7	0.3	14.8

<sup>1</sup> Previously was included in Public Health Services group: 2013 financing totaled to AMD 116.1 mln.

	<b>Dental services</b>	<b>817.5</b>	<b>843.0</b>	<b>3.1</b>	<b>3.1</b>
9	Dental medical assistance services	742.6	755.3	2.8	1.7
10	Primary dental prevention services for children	74.9	87.7	0.3	17.1
	<b>Paramedical services</b>	<b>8,293.9</b>	<b>9,151.7</b>	<b>33.8</b>	<b>10.3</b>
11	Laboratory-equipment diagnostic services	2,751.8	3,249.5	12.0	18.1
12	Emergency medical assistance services	2,969.5	3,139.6	11.6	5.7
13	Medical and expertise services to (pre-)military recruits	2,572.6	2,762.6	10.2	7.4
	<b>Total</b>	<b>23,274.3</b>	<b>27,061.6</b>	<b>100.0</b>	<b>16.3</b>

Source: 2014 Annual Budget Law, 2008-2013 Annual Budget Implementation Reports, EDRC calculations

Public finance allocations to "Outpatient Services" in 2014 constitute AMD 27.1 bln which increased by AMD 3.8 bln or 16.3% from the previous year.

It is worth noting that Outpatient services are financed on per capita basis: projections are based on the population reference number of 3,026.9 thousands, including 2,331.8 thousand adults and 630.2 thousand children, together with 64.8 thousand (pre-) military age teenagers.

Large share of Outpatient services-36.2% or AMD 9.8 bln – is allocated to Primary Healthcare Protection Services. The program provides general outpatient services. It includes measures on primary healthcare protection services by family doctors or district therapists (pediatricians), disease prevention, medical assistance and continuous care, organization of hospitalization of those who need hospital treatment, pre-medical assistance and service in rural areas through paramedic- gynecological points, provision of medical assistance and service to children at school through nurses, provision of concessional medicaments to those who are entitled to

Allocations to this program total to AMD 1,556 mln in 2014 which represents 18.9% increase from previous year which is mostly determined by increased staff salaries (AMD 1,049.7 mln), increased natural gas and electricity supply tariffs (AMD 104 mln). Notably, decreased number of program beneficiaries in 2014 (see Table 5) resulted in a reduction of expenditures on medicaments by AMD 15.1 mln.

**Table 5. Beneficiaries of Primary Healthcare Services in 2013 and 2014**

	Beneficiary groups	2013 Beneficia- ries	2014 Beneficia- ries	2014/2013	
				Beneficia- ries	%
1	Medical services to adults (18 years and above) through district therapists and family doctors	2,544,869	2,331,811	-213,058	-8.4
2	Medical services to adults (up to 18 years) through district therapists and family doctors (excluding (pre-) military age group)	656,426	630,236	-26,190	-4.0
3	Medical services to (pre-) military age group through teenager doctors and family doctors	72,990	64,832	-8,158	-11.2
4	Medical assistance and service to children at school	368,061	362,799	-5,262	-1.4
5	Provision of medicaments to those entitled to free-of-charge or concessional medicaments	457,528	457,528	0	0.0

Source: 2013 Annual Budget Implementation Report, Government Decision on Actions for Implementation of 2014 Annual Budget, EDRC calculations

The next largest class of allocation is **Paramedical Services** with 33.8% of total group allocations or AMD 9.2 bln. Budget allocations 2014 increased by 10.3% mostly because of increased service staff salaries. This class also contains "Laboratory-equipment Diagnostic Services", "Emergency Medical Assistance Services" and "Medical and Expertise Services to (pre-)Military Recruits" Programs.

**Laboratory-equipment Diagnostic Services** include laboratory-diagnostic services to the population in ambulatories and polyclinics, as well as laboratory-equipment diagnosis for tuberculosis, diabetes, malignant neoplasms and cardio-vascular system illnesses. 12% of Outpatient services budget is allocated to these services – or AMD 3.2 which exceeds the 2013 financing by 18%.

Budget for **Emergency Medical Assistance Services** is equivalent 11.6% of total group budget or AMD 3.1 bln. As compared to the previous year, allocations were increased by 5.7%. This program implies provision of emergency medical assistance to the population in the entire territory of the country through emergency calls. Allocations for 2014 are based on the projection of 444,264 calls against 456,516 in 2013.

**Medical and Expertise Services to (pre-)Military Recruits** includes examination, estimation, medical assistance and service organization to the relevant beneficiary group, as well as provision of basic medical items and medicaments. AMD 2.8 bln is allocated to this program in 2014 against AMD 2.6 bln in 2013. The number of beneficiaries decreased, too: 64,832 are projected to be covered in 2014 against 72,990 in 2013.

Programs under **Specialized Medical Services** class are allocated AMD 7.3 bln in 2014 or 26.8% of total group budget which represents an increase of 22.8% compared to the previous year. Notably, 92% of the class' allocations are earmarked for three programs which are Narrow specialization medical assistance, Hemodialysis and Obstetrical-Gynecological medical services.

**Obstetrical-gynecological Medical Assistance Services** include provision of relevant services to pregnant women and women with gynecological diseases through women's consultation cabinets, as well as assessment of health of 15-year-old girls and consultations. Allocations to this program total to AMD 1.4 bln in the current year against AMD 1.2 bln – in the previous year. The number of beneficiaries is projected 1,249,998 in 2014 against 1,341,638 – in 2013.

AMD 3.5 bln is allocated to **Narrow Specialization Medical Assistance** program which is 31.7% higher than in 2013. Projected numbers of beneficiaries and changes thereof per respective groups are presented in Table 6. This program aims at providing oncological, endocrinology, psychiatric, dermatological, anti-tuberculosis, narcology, infectious, cardiological, ear-nose-throat, surgical-traumatological, neurological, ophthalmological and other professional medical counselling services.

**Table 6. Narrow Specialization Medical Services: Program Beneficiaries in 2013 and 2014**

	Beneficiary groups	2013 Beneficiaries	2014 Beneficiaries	2014/2013	
				Beneficiaries	%
1	Dispensary medical assistance	3,274,285	3,026,879	-247,406	-7.6
2	Narrow specialization medical assistance to patients above the age of 18	2,544,869	2,331,811	-213,058	-8.4
3	Narrow specialization medical assistance to patients below the age of 18	729,416	695,068	-34,348	-4.7

Source: 2013 Annual Budget Implementation Report, Government Decision on Actions for Implementation of 2014 Annual Budget, EDRC calculations

AMD 1.8 bln is allocated to **Hemodialysis Services**, which is 9.2% higher than in the previous year. Increase is determined by the increase of projected cases by 44 from 606 in 2013 to 650 – in 2014.

AMD 0.8 bln is projected for **Dental Services** which exceeds the previous year's by 3.1%. **Dental Medical Services** program includes specialized dental services in ambulatories-polyclinics to children below 8 years, as well as 8 years and 65 years and above and to socially vulnerable groups. Meanwhile, **Primary Dental Prevention Services to Children** include complex measures on oral hygiene among 6 and 12 years' old children.

It is worth noting that all increases in allocations do not imply increased services or coverage: the reasons for increased allocations are increased public sector staff salaries, increased tariffs for utility services, while the numbers of beneficiaries are projected to decrease.

### • Hospital Services

Hospital services are the largest expenditures in the budget – 42.2% of total Health sector budget. AMD 34.1 is allocated to programs under this group in 2014 which exceeds the previous year's level by AMD 6.9 bln or about a quarter.

45.4% of the increase is explained by the increased number of beneficiaries under **Medical Assistance Services to Socially Vulnerable and Special Groups** because the Family benefit vulnerability status score was decreased from 36 to 30 points. 39.1% of the increase takes place due to **Medical Assistance Services to the Military and Rescue Servants and Families thereof**. The latter was taken out from the Social benefits package to public sector employees program and moved to Health budget as a result of structural changes. The remaining part of the increase is projected to take place because of increased staff salaries and increased utility tariffs. Some programs are projected with decreased numbers of beneficiaries which, respectively, resulted in expenditure reduction.

14 programs are included in 3 classes under "Hospital Services" group in 2014.

The largest expenditure program under Hospital services is **Medical Assistance Services to Socially Vulnerable and Special Groups** with total allocations of AMD 7.4 bln in 2014 representing an increase of 72% since 2013. The program implies provision of all types of medical assistance and services to social vulnerable groups of population excluding cosmetology, transplantation of organs and tissues and expensive dental services. Increased allocations are determined by the projected increase in the number of beneficiaries from 45,963 in 2013 to 65,951 – in 2014. Notably, potential number of beneficiaries increased by 27 thousands only due to the factor of setting a lower of Family benefit vulnerability score.

**Table 7. Hospital Services Group Expenditure Programs in 2013 and 2014**

	Programs	2013	2014		2014/2013
		AMD mln	AMD mln	Share	%
	<b>General Hospital services</b>	<b>6,400.4</b>	<b>12,320.8</b>	<b>36.1</b>	<b>92.5</b>
<b>1</b>	Medical assistance services to socially vulnerable and special groups	4,312.8	7,430.0	21.8	72.3
<b>2</b>	Medical assistance services to the military and rescue servants and families thereof	0.0	2,683.6	7.9	100.0
<b>3</b>	Emergency medical assistance services	2,087.6	2,207.2	6.5	5.7
	<b>Specialized Hospital services</b>	<b>7,214.3</b>	<b>7,515.1</b>	<b>22.0</b>	<b>4.2</b>
<b>4</b>	Medical assistance services to psychiatric and narcological patients	1,862.1	2,199.5	6.4	18.1
<b>5</b>	Medical assistance services for tuberculosis	1,249.9	1,391.6	4.1	11.3
<b>6</b>	Medical assistance services for intestinal and other infectious diseases	1,110.8	1,192.4	3.5	7.3
<b>7</b>	Oncological and hematological medical assistance services	1,046.1	1,097.5	3.2	4.9
<b>8</b>	Hospital medical assistance services and expertise for (pre-)military age	1,213.7	851.5	2.5	-29.8
<b>9</b>	Rehabilitative medical assistance services	562.4	598.9	1.8	6.5
<b>10</b>	Medical assistance services for sexually-transmitted diseases	169.1	181.4	0.5	7.2
<b>11</b>	Medical assistance services to trafficking victims	0.0	2.2	0.0	100.0
	<b>Motherandchild medical services</b>	<b>13,627.6</b>	<b>14,268.0</b>	<b>41.8</b>	<b>4.7</b>
<b>12</b>	Medical assistance services to children	6,768.10	7,140.60	20.9	5.5
<b>13</b>	Obstetrical medical assistance services	6,503.80	6,759.90	19.8	3.9
<b>14</b>	Gynecological medical assistance services	355.7	367.5	1.1	3.3
	<b>Total</b>	<b>27,242.20</b>	<b>34,104.00</b>	<b>100.0</b>	<b>25.2</b>

Source: 2014 Annual Budget Law, 2013 Annual Budget Implementation Report, EDRC calculations

General Hospital Services group also includes Medical Assistance Services to the Military and Rescue Servants and Families thereof and Emergency Medical Assistance Services programs. Allocations to **Medical Assistance Services to the Military and Rescue Servants and Families thereof** total to AMD 2.7 bln, of which AMD 1.3 bln is earmarked for treatment of 6,803 cases, AMD 1.1 bln – for 650 cases of heart and brain vessels surgeries on concessional terms and free of charge, while AMD 0.3 bln – for 6,000 difficult-to-access diagnoses.



Allocations to **Emergency Medical Assistance Services Program** total to AMD 2.2 bln which is 5.7% higher than in 2013. The program bases on projections of 20,970 cases in 2014 against 22,263 cases in 2013.

It is worth noting that the program bases on co-financing compensation principle and no increase in compensation levels by the Government is projected in 2014.

Mother and Child Services constitute the largest share of Hospital services – around 42%. The latter includes medical services to children, as well as obstetrical and gynecological services. For **Medical Assistance Services to Children** are allocated AMD 7.1 bln which is 5.5% higher than in 2013. The latter is explained by higher average cost of per patient per day treatment. It is projected to cover 41,048 cases against actually treated 56,285 cases in 2013. It is worth noting that the program implies medical services in hospitals to children under 7 regardless of the diagnosis or social status, as well as medical assistance to children under 18 for emergency cases and acute illnesses.

**Obstetrical Medical Services** include medical assistance for childbirth: AMD 6.8 bln is allocated to this program in 2014 against AMD 6.5 bln in 2013. The increase is determined by increased average cost of per patient per day treatment, while the number of cases is projected to decrease (from 60,232 in 2013 to 55,067 in 2014).

The number of cases under **Medical Assistance Services for Gynecological Diseases** is projected to decline from 5,147 in 2013 to 4,597 – in 2014.

Number of cases for all programs under **Specialized Hospital services** is projected to decline in 2014, despite the fact that total allocations are projected to increase. The only exception is **Medical Hospital Services and Expertise of (pre-)Military age**. For the latter is allocated 30% less funds (AMD 362.2 mln) than in 2013 which is explained by projected fewer number of cases requiring long treatment. At the same time, the total number of cases is projected to increase from 55,168 in 2013 to 56,122 – in 2014 (see Table 8).

**Table 8. Beneficiaries under Specialized Hospital Services in 2013 and 2014**

	Programs	2013 Cases	2014 Cases	2014/2013	
				Cases	%
1	Medical assistance services to psychiatric and narcological patients	6,391	6,128	-263	-4.1
2	Medical assistance services for tuberculosis	5,940	5,098	-842	-14.2
3	Medical assistance services for intestinal and other infectious diseases	10,838	9,542	-1,296	-12.0
4	Medical assistance services for oncological and hematological illnesses	11,530	10,912	-618	-5.4
5	Hospital services and expertise to (pre-)military age group	56,122	55,168	-954	-1.7
6	Rehabilitative medical assistance services	4,081	3,794	-287	-7.0
7	Medical assistance services for sexually-transmitted diseases	1,035	1,035	0	0.0

Source: 2013 Annual Budget Implementation Report, Government Decision on Actions for Implementation of 2014 Annual Budget, EDRC calculations



More than 29% of total allocations to this class or AMD 2.2 bln are earmarked for **Medical Assistance Services to Psychiatric and Narcological Patients**. The program includes care for chronic psychiatric patients, expertise, treatment in acute cases and compulsory treatment, as well as hospital treatment of drug addiction, poison addiction, and alcoholism in narcological clinics. The number of cases to be treated is projected to decrease from 6,391 in 2013 to 6,128 – in 2014. Meanwhile, AMD 337.4 mln increase in fallocations is a consequence of increased average cost of per day treatment.

Increase in allocations to other programs under this group is, again, determined by the increased average per day cost of treatment.

## • Public Health Services

“Public Health Services” group includes programs that ensure sanitary and epidemic safety of the population. Around AMD 4 bln is allocated to this group in 2014 which exceeds the 2013 financing by 23.2%.

**Table 9. Public Health Services Group Expenditure Programs in 2013 and 2014**

		2013	2014		2014/2013
		AMD mln	AMD mln	Share	%
1	Hygienic and anti-epidemic expert services	1,881.9	2,404.7	60.4	27.8
2	National program of immune-prevention	465.0	655.8	16.5	41.0
3	Hygienic and anti-epidemic services	204.9	259.5	6.5	26.7
4	Prevention of dangerous infections	234.3	254.6	6.4	8.7
5	Blood collection services	217.4	237.5	6.0	9.3
6	State anti-tobacco and environmental protection program	49.7	100.0	2.5	101.3
7	Disinfection services of disease sources	63.7	71.0	1.8	11.4
8	HIV/AIDS prevention and medical assistance services <sup>2</sup>	116.1	-	-	-
	<b>Total</b>	<b>3,233.1</b>	<b>3,983.2</b>	<b>100.0</b>	<b>23.2</b>

Source: 2014 Annual Budget Law, 2013 Annual Budget Implementation Report, EDRC calculations

More than 60% of group allocations or AMD 2.4 bln is earmarked for **Hygiene and Anti-epidemic Expert Services** which include sanitary-chemical laboratory analyses, bacteriological analyses, analyses of physical factors, inspections of open water reservoirs for cholera, as well as disinfection of infectious disease hearths.

An increase of 28% of Hygiene and Anti-epidemic Expert Services compared to the previous year are mostly determined by increased salaries and utility tariffs.

The next largest program is **National Immune-prevention program** with total allocations of AMD 0.7 bln in 2014: 41% more than 2013 financing. Increased allocations are determined by the increased number of vaccines and increased prices. This program includes procurement of tuberculosis, measles, seasonal flu and other diseases.

<sup>2</sup> Moved to Outpatient Services group.

- **Health (not elsewhere covered)**

Allocations to Health (n.e.c.) group increased by 58.7% in 2014 and totaled to AMD 12.6 bln or 15.6% of total Health budget which exceeds the previous year's share by 3.3 percentage points. Notably, this is the only group with increased share of allocations in the total Health budget.

18 programs are included in this group categorized into the following two classes:

- **Auxiliary Health Services and programs**
- **Health programs (n.e.c.).**

This group contains Auxiliary Health Services, Health Programs (not covered elsewhere), as well as national and local governance agencies' operation expenditures in Health sector. Studies, consulting and organizational-methodical support, program coordination and public awareness, as well as forensic assistance, medical assistance and services in emergency situations, sector development programs are also included under this group. In addition, externally financed projects are also included in this group, which make up to 76% of the group's budget.

The largest program with 55.5% of group allocations or about AMD 7 bln is the **WB Disease Prevention and Control** project.

AMD 1.6 bln or 12.8% of total group are earmarked for **National and Local Executive and Governance Bodies: Administration and Operation (Ministry staff)**. As compared to the previous year, these allocations increased by AMD 0.5 bln or 43.5%. This increase is determined by the increased public sector salaries. This program does not include expenditures of the Staff of the Minister of Health: the latter total to AMD 70.1 mln in 2014, exceeding the previous year's expenditures by 71.8%.

Other programs are very small: allocations to most of them do not exceeds 1-2% of group budget.

**Table 10. Health (n.e.c.) Group Expenditure Programs in 2013 and 2014**

		2013 AMD mln	2014		2014/ 2013 %
			AMD mln	Share	
	<b>Auxiliary Health services and programs</b>	<b>5,021.2</b>	<b>10,986.5</b>	<b>87.2</b>	<b>118.8</b>
1	WB Disease prevention and control project	837.6	6,987.5	55.5	734.2
2	WB Additional financing for 2 <sup>nd</sup> Health system modernization project	2,613.2	2,079.4	16.5	-20.4
3	Expensive diagnostic analyses	410.5	395.5	3.1	-3.7
4	Forensic and genetic services	340.2	371.2	2.9	9.1
5	Professional, consulting and organizational-methodical assistance for medical services	221.2	236.5	1.9	6.9
6	WB Disease prevention and control grant project	0.0	180.4	1.4	100.0
7	USA Disease prevention and control center grant project: Establishment of epidemic and response network for seasonal flu	117.8	169.7	1.3	44.1
8	WB Performance-based healthcare financing project preparation grant project under WB Disease prevention and control grant project	51.6	106.5	0.8	106.3
9	Coordination of national anti-tuberculosis program	93.8	94.1	0.7	0.3

10	Healthy lifestyle promotion and public awareness services	75.5	90.0	0.7	19.2
11	Provision of prosthetics and corsets to handicapped and vulnerable children	81.8	81.8	0.6	0.0
12	Receipt, customs clearance and distribution of medicaments and medical items received as humanitarian assistance	40.8	42.7	0.3	4.5
13	Anatomical services	39.5	41.2	0.3	4.4
14	Compensation for travel expenses to patients sent abroad for treatment	40.1	40.4	0.3	0.6
15	Medical services through temporary assignments of medical experts to healthcare institutions in Marzes	18.8	40.2	0.3	114.5
16	Expert and methodological services derived from pharmaceutical policy	20.7	20.8	0.2	0.1
17	Medical assistance services in emergency situations	0.0	8.5	0.1	100.0
18	Other medical assistance and support services	15.0	0.0	0.0	-100.0
19	WB 2 <sup>nd</sup> Health system modernization project	3.0	0.0	0.0	-100.0
	<b>Health (n.e.c.)</b>	<b>2,913.5</b>	<b>1,607.6</b>	<b>12.8</b>	<b>-44.8</b>
20	National and local executive and governance bodies (Ministry staff)	1,119.9	1,607.6	12.8	43.5
21	Healthcare system strengthening	119.7	0.0	0.0	-100.0
22	International treaty for vaccination and immunization healthcare system strengthening grant project	14.5	0.0	0.0	-100.0
23	Strengthening national anti-tuberculosis program and expansion of medicine-resistant tuberculosis management grant project	1,057.0	0.0	0.0	-100.0
24	USAID Support to emergency medical services grant project	90.4	0.0	0.0	-100.0
25	Support to the national anti-HIV/AIDS program in Armenia	512.0	0.0	0.0	-100.0
	<b>Total</b>	<b>7,934.7</b>	<b>12,594.1</b>	<b>100.0</b>	<b>58.7</b>

Source: 2014 Annual Budget Law, 2013 Annual Budget Implementation Report, EDRC calculations

## EXTERNALLY FINANCED PROJECTS

5 externally financed projects are planned to be implemented in 2014. The total budget of such projects totals to AMD 9.5 bln which exceeds the 2013 allocations to the same projects by 5.9 bln, while total allocations to externally financed projects – by 4.1 bln.

75.5% of total externally-financed projects expenditures will be funded from credit proceeds, 4.6% - from grant proceeds and 19.9% - from Government of Armenia co-financing. Notably, the Ministry of Health is in charge of implementing these projects.

**Table 11. Breakdown of Funding for Externally Financed Projects**

	Program type	2013	2014		2014/2013, %
		AMD mln	AMD mln	Share	
1	Credit	2,655.8	7,186.1	75.5	170.6
2	Grant	1,960.6	438.9	4.6	162.8
3	Co-financing	800.4	1,898.5	19.9	137.2
	<b>Total</b>	<b>5,416.8</b>	<b>9,523.5</b>	<b>100.0</b>	<b>162.8</b>

Source: 2014 Annual Budget Law, 2013 Annual Budget Implementation Report, EDRC calculations

**Table 12. Externally Financed Projects in Health Sector in 2013 and 2014**

	Programs	2013 mln AMD	2014		2014/2013 %
			mln AMD	Share	
1	WB Disease prevention and control project	837.6	6,987.5	73.4	734.2
2	Additional financing for 2 <sup>nd</sup> Health system modernization project	2,616.2	2,079.4	21.8	-20.5
3	WB Disease prevention and control grant project	0.0	180.4	1.9	100.0
4	Establishment of Epidemic and response network for seasonal flu project	117.8	169.7	1.8	44.1
5	WB Performance-based healthcare financing project preparation grant project under WB Disease Prevention and Control grant Project	51.6	106.5	1.1	106.4
6	Healthcare system strengthening	119.7	0.0	0.0	-100.0
7	International treaty for vaccination and Immunization healthcare system strengthening grant project	14.5	0.0	0.0	-100.0
8	Strengthening national anti-tuberculosis program and expansion of medicine-resistant tuberculosis management grant project	1,057.0	0.0	0.0	-100.0
9	USAID Support to emergency medical services grant project	90.4	0.0	0.0	-100.0
10	Support to the national anti-HIV/AIDS program in Armenia	512.0	0.0	0.0	-100.0
	<b>Total</b>	<b>5,416.8</b>	<b>9,523.50</b>	<b>100.0</b>	<b>75.8</b>

Source: 2014 Annual Budget Law, 2013 Annual Budget Implementation Report, EDRC calculations

The largest externally financed project is **Disease Prevention and Control project** allocations to which, together with two supporting grants, will total to AMD 7.3 bln in 2014: 8.2 times more than in 2013. Notably, AMD 0.3 bln (4%) out of the total will be financed from grant proceeds, AMD 5.6 bln (77%) – from credit proceeds and AMD 1.4 bln (19%) – from the co-financing of the Government of Armenia.

In addition to the main credit project, the two active grant projects are: WB Disease Prevention and Control grant project and WB Performance-based Healthcare Financing Project Preparation grant project under WB Disease Prevention and Control grant project

WB Disease Prevention and Control project will be implemented until 2016. The project aims at increasing efficiency of hematological and oncological services. The following main activities are envisaged under this project in 2014:

- Screenings for early diagnosis and efficient treatment of diseases, as well as public awareness campaigns on risk factors,
- Modernization of oncological services; construction of a radiation center and provision of necessary equipment, items and furniture,
- Modernization of the Hematological center after R. H. Yolyan in Yerevan: refurbishment of main medical and polyclinics buildings, provision of modern medical equipment, establishment of a marrow transplantation and chemotherapy in high doses,
- Modernization of Lori Marz Healthcare system: construction of a new medical center in Vanadzor and provision of modern medical equipment.

**WB Additional Financing of 2<sup>nd</sup> Health System modernization** project started in 2012. In 2014, AMD 2.1 bln is allocated to this program which is 21% lower than in 2013. AMD 1.6 bln or 75% of total allocations will be funded from the credit proceeds, while AMD 0.5 bln or 25% - Government of Armenia co-financing.

The objective of the project is to construct new ambulatories, procure medical equipment, office and training equipment, as well as implementation of construction works in 7 medical centers. The following activities are envisaged under this project in 2014:

- Refurbishment/construction of 6 ambulatories in communities of Armenia,
- Design for ambulatories to be refurbished/constructed in 2014,
- Design and refurbishment of polyclinics section of Metsamor medical center in Armavir Marz.
- Procurement of medical equipment, items and furniture to support independent practicing of family doctors.

AMD 169.7 mln are allocated to **Establishment of Epidemic and Response Network for Seasonal Flu** project implemented under USA Disease Prevention and Control Center in 2014, which is 44% lower than in 2013. The objective of the project is establishing epidemic control network for seasonal flu; strengthening of laboratory diagnosis, prompt identification and control capacities, increasing quality and affordability of medical services.

## BREAKDOWN OF HEALTH BUDGET ALLOCATIONS PER AGENCIES

54 programs are planned to be implemented in Healthcare sector in 2014, including 48 to be implemented fully by the **Ministry of Health**, while 2 – jointly with other agencies. Total allocations under the programs to be implemented by the Ministry of Health total to AMD 77.8 bln or 96.3% of total sector allocations.

**Table 13. Health Sector Allocations by Ministries/Agencies**

Agencies	2013 Budget AMD mln	2014 Budget		2014/2013 %
		AMD mln	Share	
Ministry of Health of RA	59,771.4	77,761.0	96.32	30.1
Ministry of Emergency Situations	0.0	9.5	0.01	100.0
Staff of RA President	49.7	100.0	0.12	101.3
Ministry of Sport and Youth Affairs of RA	72.9	83.7	0.10	14.8
State Protection Service of RA	0.6	1.1	0.00	91.9
Ministry of Defence of RA	2,570.8	2,630.0	3.26	2.3
Ministry of Justice of RA	0.0	43.0	0.05	100.0
National Security Service of RA	18.1	26.8	0.03	48.4
Police of RA	60.2	73.7	0.09	22.5
<b>Total</b>	<b>62,543.7</b>	<b>80,728.8</b>	<b>100.0</b>	<b>29.1</b>

Source: 2014 Annual Budget Law, 2013 Annual Budget Implementation Report, EDRC calculations

The **Ministry of Emergency Situations** implements Medical Services in Emergency Situations with total allocations of AMD 9.5 mln.

**Ministry of Sport and Youth** is in charge of implementing Sports Medicine and Doping Control program which covers medical control, diagnosis and treatment of diseases and injuries in national teams of Armenia in various sports, as well as provision of high-quality medicaments, vitamins and rehabilitation means to national teams and implementation of doping control.

The **Staff of the President of RA** implements Anti-tobacco and Environmental Protection state program which includes development and introduction of epidemic inspection system of tobacco usage, as well as preparation and presentation of information on the use of tobacco and health consequences thereof for large groups of population, publication of a National Anti-tobacco Strategy and assessment of smoking prevalence and consequences thereof. The program also includes implementation of anti-tobacco campaigns by NGOs.

**State Protection Service** is in charge of implementing the program of Provision of Medicaments to State Protection Service.

2 programs of the sector are implemented jointly by several agencies. Medical Services and Expertise of (pre-)Military Age Group is implemented jointly by the Ministry of Health and Ministry of Defence.

Provision of Medicaments to Patients of Polyclinics, Ambulatories and Hospitals and Special Groups, in addition to the Ministry of Health, is implemented by another 5 agencies: Ministry of Justice, Ministry of Defence, Ministry of Emergency Situations, National Security Service and Police of RA.

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## ABBREVIATIONS

AMD	Armenian Dram
bln	billion
CSO	Civil Society Organization
EDRC	Economic Development and Research Center
ENPI	European Neighborhood and Partnership Instrument
EU	European Union
GB	Great Britain
GDP	Gross Domestic Product
GoA	Government of Armenia
HIV/AIDS	Human Immunodeficiency Virus Infection/Acquired Immune Deficiency Syndrome
mln	million
MoH	Ministry of Health
n.e.c	not elsewhere covered
NGO	Non-governmental Organization
NSS	National Statistical Service
RA	Republic of Armenia
SNCO	State Non-commercial Organization
USA	United States of America
USAID	United States Agency for International Development
WB	World Bank