

## An Evaluation on the Financing of Health Expenditures \*

### ABSTRACT

Health is one of the most fundamental rights of individuals. People expect the protection of their right to health by the country of which they are citizens. The protection of health rights is directly related to the functioning of the healthcare system in a country. Therefore, for the effective delivery of healthcare services, the healthcare system must operate efficiently. In order for the healthcare system to function properly and effectively, expenditures in this field are necessary, and these expenditures must be adequately financed. Moreover, one of the indicators that reflect the development level of countries is healthcare expenditure, which is associated with resolving the health problems of citizens and establishing a reliable healthcare system. Healthcare expenditures are essential for the provision of healthcare services. The provision of such services entails various costs, including personnel expenses, medical equipment, and the construction and maintenance of healthcare facilities such as clinics and hospitals. To cover these expenses and to enable such expenditures to be made by governmental authorities or the private sector, financing of healthcare spending becomes crucial. In this context, the aim of the study is to highlight the significance of healthcare expenditures and to provide an evaluation of how these expenditures are financed. Accordingly, the study examines in detail the factors influencing healthcare spending and the methods of financing these expenditures. It has been identified that healthcare expenditures are financed through market-based mechanisms, public economy instruments, and integrated financing systems. In the financing of healthcare expenditures through these mechanisms, instruments such as out-of-pocket payments, private health insurance, taxation, and compulsory insurance, as well as interventions by both the market and the public sector, are utilized.

**Keywords:** Health expenditures, Health financing, Health economics

### INTRODUCTION

The concept of health was defined in the 1946 Constitution of the World Health Organization (WHO) as “a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.” This definition, which encompasses all dimensions of being healthy, has been further expanded in recent years to include the ability to lead a socially and economically productive life (Kesgin & Topuzoğlu, 2006: 47). Furthermore, for the first time in 1947, the WHO Constitution recognized health as a right regardless of race, language, religion, political belief, or social status. The fact that health is an inherent right has imposed significant responsibilities on states to provide healthcare to individuals without discrimination based on gender, age, or economic status. This obligation was later reaffirmed in the 1948 Universal Declaration of Human Rights, where access to healthcare was referred to as “medical care” (Pala, 2007: 1).

State intervention is necessary in the event of failures within the provision of healthcare services. These failures often arise due to the presence of both positive and negative externalities, as well as the unequal distribution of income. The state is responsible for ensuring equitable access to healthcare services by correcting income-related disparities and addressing the imbalance in the distribution of such services. It must also work to eliminate market failures in the health sector and ensure the proper financing of the healthcare system (Çelikay & Gümüş, 2010: 180). This is because health is both a determinant of economic growth and a component of overall well-being. In developing countries, health policies are employed as instruments to improve public health (Mwabu, 2007: 1). The scope of health economics encompasses a wide array of issues that affect human health, ranging from unemployment to smoking, education to income levels, health insurance to the pharmaceutical industry, as well as the efficiency of medical care and hospital management (Kurtulmuş, 1998: 21).

The financing of health expenditures has a significant impact on the performance of a healthcare system. It determines who bears the financial burden, who controls the funds, how much money is available, how risks are assessed, and whether healthcare costs are manageable. These factors, in turn, influence who is protected from impoverishment due to catastrophic medical expenses, who has access to services, and how the overall health status of the population is assessed. There is no universally effective solution to the challenges of healthcare financing. All funds collected through any financing method (excluding foreign contributions) are derived either directly or indirectly from individuals. The critical issue that countries must address is determining which financial resources to use and to what extent (Ministry of Health of the Republic of Türkiye, 2010: 153). Therefore, this study aims to provide information on the financing of health expenditures and to emphasize the role and importance of such financing within a country's healthcare system and service delivery.

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## HEALTH ECONOMICS AND THE HEALTH MARKET

In the field of economics, health economics is a relatively young discipline. It emerged in the 1960s and began to gain widespread recognition in the 1970s. Health economics conducts economic analyses of healthcare services. This field can be approached from two different perspectives: positive and normative. The positive approach aims to understand and explain events by identifying cause-and-effect relationships. In contrast, the normative approach is based on principles of equity, political viewpoints, and value judgments (Şenatalar, 2003: 25).

The theories, concepts, and techniques of the health sector economy can be broadly defined in terms of their practical application. The key factors encompassed within this definition can be listed as follows (Mills & Gilson, 1988: 2):

- ✓ The allocation of resources for health promotion activities,
- ✓ The quantity of resources utilized in the delivery of healthcare services,
- ✓ The organization, objectives, and expenditure allocations used for financing within healthcare institutions,
- ✓ The financing of preventive, curative, and rehabilitative health services for individuals in society.

In economics, in addition to the healthcare system, the allocation of resources within health markets is also of critical importance. In a healthcare system, health services are produced through the utilization of sanitary inputs (health resources) alongside other elements such as education, environment, and working conditions (Martinez-Giralt, 2010: 2). Among these, education serves as the primary source of human capital, while health status itself is also a contributing factor to the development of human capital. There exists a reciprocal relationship between a society's level of economic development and the health sector. In countries that have reached a certain level of economic advancement, the resources allocated to healthcare tend to increase, and individuals' health awareness also improves. As health improves, economic growth is also stimulated (Taban, 2006: 43). Since health and education constitute two fundamental components of an economy, investments made in these areas directly influence human capital. Therefore, it is a well-established fact that any investment in human capital will contribute to economic growth in the short or long term. Indeed, when examining the economic development levels of countries, it is evident that those with higher levels of education and healthcare also demonstrate greater economic advancement (Çetin & Ecevit, 2010: 167). Therefore, the health market possesses certain distinct characteristics that differentiate it from other markets. The primary differences that set the health market apart are as follows (Yayalalı, Kaynak & Karaca, 2012: 564):

- ✓ Consumers possess incomplete or imperfect information about the health market,
- ✓ There is an imbalance between supply and demand,
- ✓ There are barriers to entry into the health market,
- ✓ Healthcare providers may form monopolies or oligopolies among themselves,
- ✓ Homogeneity in healthcare services cannot be fully achieved.

Since a large portion of healthcare services is provided to individuals on a personal basis, it is possible for these services to be bought and sold in the market. Health itself is not a tradable commodity; what is actually exchanged is healthcare services. The commonly expressed notion within society that "health is infinitely valuable" lacks practical validity. This is because no individual is willing to give up all other goods and services solely to benefit from healthcare services (Şenatalar, 2003: 25–26).

## HEALTHCARE SERVICES AND THEIR GENERAL CHARACTERISTICS

Healthcare services are among the most important indicators of a country's level of socio-economic development. The primary objective of healthcare services is to provide the necessary care to society at the right time, in the desired quality, and at the lowest possible cost. In terms of customer satisfaction, the healthcare sector is considered one of the most problematic areas. Rising costs, rapid technological advancements, increasing patient complaints, and the growing demand for high-quality care have contributed to the increasing complexity of healthcare services (Tutar & Kılınç, 2007: 32).

More comprehensively defined, the healthcare sector is a broad and inclusive concept that refers to all systems and subsystems established for the production, supply, and demand of goods and services directly or indirectly related to health. It encompasses all individuals, institutions, organizations, statuses, products, and similar elements involved in this process (Sargutan, 2005: 400).

Healthcare services are not only responsible for protecting and improving individuals' health, but also for safeguarding them against the financial risks of illness and providing necessary treatments. Accordingly, the healthcare system serves three essential purposes (Uğurluoğlu & Çelik, 2005: 7):

- ✓ Responding to the expectations of the population,
- ✓ Improving the health status of the population served,
- ✓ Providing financial protection against the costs of illness and healthcare.

In the globalized world, four major forces serve as driving factors behind health reforms. These forces may manifest in different forms and statuses across various contexts. First, healthcare services are increasingly costly. The rising costs compel governments in every country to reconsider policies and approaches related to the healthcare system. Second, citizens are demanding more from both public and private healthcare systems, indicating higher expectations. Third, the increase in both costs and public expectations has led governments into a process constrained by financial limitations and affordability. Fourth, there is a growing skepticism toward traditional approaches within the healthcare sector (Ministry of Health of the Republic of Türkiye, 2010: 10).

In the service sector, firms allocate substantial budgets to strategic initiatives aimed at retaining loyal customers and delivering the highest quality. In the healthcare sector—characterized by its unique features—gaining and retaining loyal patients is also a critical factor. Achieving patient loyalty requires high levels of patient satisfaction and service quality. For this reason, there has been a notable increase in both academic and sectoral studies focusing on the healthcare field (Tanrıverdi & Erdem, 2010: 74).

### **Demand for Healthcare Services**

The demand for healthcare services refers to the ability of individuals to utilize healthcare institutions in response to a specific health problem. In the context of healthcare demand, price is not a primary factor. Due to the widespread coverage provided by health insurance or state-supported schemes such as the "Green Card" system, the demand for healthcare services is generally not influenced by price. What primarily drives the demand for healthcare is the essential and vital nature of health needs for the continuation of life. Since healthcare services cannot be substituted, the prices of other goods do not significantly affect the demand for healthcare (Orhaner, 2006: 6). The most significant determinant of demand for healthcare goods and services is income. As income increases, the demand for healthcare services also rises. This is due to the general economic principle that as individuals' income increases, their overall demand increases accordingly (Kurtulmuş, 1998: 154).

In healthcare services, consumers (i.e., demanders) are directly dependent on healthcare providers with regard to the quality, quantity, and necessity of the services offered. When it comes to pharmaceuticals and medical equipment, this dependency is considered secondary. This dependency stems from what is referred to as information asymmetry. Information asymmetry implies that the more specialized and knowledgeable the service provider is, the less informed the service user tends to be. This gap arises from the increasing specialization of medical fields, the constant evolution of knowledge, and the growing complexity and detail across all areas, making it increasingly difficult for non-experts to bridge this knowledge divide (Sargutan, 2005: 431).

### **Supply of Healthcare Services**

The most significant factor determining the supply of healthcare services is the cost of production for providers and suppliers. The production inputs in healthcare include physicians, nurses, administrative personnel, and facilities such as hospitals and clinics, as well as various medical tools and equipment. The expenditures made for these inputs constitute the production costs of healthcare services. In health economics, changes in price also have a considerable impact on supply. While price fluctuations have a relatively lower impact on the private sector, they represent a burden for the public sector. When prices are high, private actors may refrain from making investments in the healthcare sector (Orhaner, 2006: 4).

Due to the unique characteristics of the healthcare market, the supply of healthcare services differs from that of other goods and services. First, the supply in the healthcare market is limited, and providers may form monopolies among themselves. Typically, an increase in supply does not lead to a decrease in demand or prices; on the contrary, it may lead to increased demand. Contrary to the general principle of market economies that "demand creates its own supply," in healthcare, innovations in medical goods and services tend to generate demand through supply. Unlike other goods and services, increasing the supply of healthcare takes a long time. Training hospital personnel and bringing them into operation requires many years. Moreover, the development and implementation of new treatment methods and pharmaceuticals involve long periods of research and testing before they can be applied in practice (Kurtulmuş, 1998: 182–183).

### **HEALTH EXPENDITURES**

Health expenditures contribute to economic growth in both developed and developing countries, and as economic growth occurs, a larger share of public spending is allocated to healthcare. Investigating the relationship between economic growth and health expenditures in countries guides political decision-makers toward the efficient use of resources and enables the implementation of more effective health reforms (Tıraşoğlu & Yıldırım, 2012: 116).

The importance of both qualitative and quantitative changes in health expenditures stems from their impact on human capital and economic growth. Positive developments in human capital directly and indirectly influence investment expenditures. For instance, if a child who is vaccinated today avoids disability or illness, the cost of vaccination decreases over the years in which the child remains protected from disease. Moreover, the health expenditure made for the child will positively affect their productivity in the future. Considering both the curative and preventive effects of health expenditures, their impact on national output tends to emerge with a time lag (Yumuşak & Yıldırım, 2009: 68).

## **FACTORS AFFECTING HEALTH EXPENDITURES**

The factors influencing health expenditures can be categorized under five main headings: level of education, promotion of health and development of health awareness, technological advancements, urbanization, and increased life expectancy.

### **Level of Education**

Education, as a means of providing a country with a skilled labor force, is increasingly becoming a vital tool for development. The level of development in countries is not only associated with per capita national income but also closely linked to the availability of an educated workforce. Therefore, beyond the goals of economic growth, healthcare, and national defense, education, being the foundation of these domains, plays an equally significant role in a country's development (Çolak, 2010, p. 110).

It is impossible for a country to achieve development solely through investments in physical means of production. Investments made in human capital, or in the improvement of human resources, accelerate structural and social transformations that contribute to increased levels of production. Countries with a well-educated and highly skilled workforce tend to develop more rapidly. In this context, education serves as the driving force behind economic development. In addition to ensuring social peace and order, education plays a crucial role in achieving economic growth and in the advancement of society and civilization (Öztürk, 2005: 41).

Education has become an increasingly important factor in achieving economic growth and development, improving income distribution, building a qualified human capital base, raising living standards, and addressing social inequalities (Altundemir, 2008: 67). The knowledge, skills, health status, and talents possessed by individuals or societies, and the reflection of these attributes on social life, constitute qualified human capital, which has become the most essential production factor in a rapidly changing and globalizing world. Enhancing the quality of the labor force, increasing human capital, and creating employment opportunities are all made possible through education (Arabacı, 2011: 101). The increase in student admissions to educational institutions indicates a growing need for specialist physicians, family doctors, general practitioners, and nurses. Governments and the Ministry of Health should develop more detailed vocational education plans. These plans should consider the specific fields of training, availability of academic staff, and the expansion of physical capacity (Ministry of Health of the Republic of Türkiye, 2011: 51).

### **Promotion of Health and Development of Health Awareness**

The presence of healthy individuals within a society reflects the overall health status of that society. One of the fundamental rights of individuals is the right to be healthy. Ensuring and maintaining this right is not only the primary responsibility of healthcare professionals but also a personal obligation of each individual. Due to their social roles and professional responsibilities, healthcare personnel are expected to influence the institutions in which they work through health education and to serve as role models through their own lifestyles (Ayaz, Tezcan & Akıncı, 2005: 27).

The fundamental resources underpinning health are as follows (Ministry of Health of the Republic of Türkiye, 2011: 1):

- ✓ Shelter
- ✓ Food
- ✓ Income
- ✓ Education
- ✓ Peace
- ✓ Sustainable resources
- ✓ A stable ecosystem
- ✓ Social justice and equity

Improvements in health and the development of health awareness should be built upon these foundational factors.

### **Technological Advancements**

Beginning in the 15th century, technological and scientific developments, particularly in the fields of physiology, pathology, and anatomy, enabled a shift away from supernatural explanations of disease toward treatment methods based on observable symptoms. With Pasteur's discovery of the rabies virus in the 18th century, psychological and physiological treatment domains began to diverge definitively. Major innovations followed: the invention of injection in 1789, the stethoscope in 1816, and the discovery and medical application of X-rays in 1895. In the 20th century, advancements such as anesthesia, blood transfusion techniques, asepsis-antisepsis, and surgical procedures were achieved. The discovery of vitamins and antibiotics, along with the industrialization of pharmaceutical production, significantly advanced medical science and its practices (Sargutan, 2005: 114). In the context of a globalized world, technological progress in medical devices continues to enhance the quality of healthcare services. Consequently, it can be stated that technological advancement contributes to increased health expenditures.

### **Urbanization and Increased Life Expectancy**

Health, a fundamental and universal human right, is generally more accessible in urban centers. The positive aspects of cities in terms of health often include centralized and clean heating systems, processed and regulated food and water supplies, structured education that fosters physical discipline, and organized waste disposal. However, urban life also presents certain disadvantages due to densely populated environments. Health can be adversely affected by noise and air pollution, which may result from inadequate technical oversight or cultural factors. While urban centers tend to offer favorable health conditions, underdeveloped regions that have not undergone urbanization face poor housing and nutrition conditions, limited access to healthcare and education services, and high unemployment, factors that contribute to deteriorating health conditions (Aksakoğlu & Giray, 2007: 2).

Providing individuals and societies with better living conditions constitutes the foundation of development. Countries can achieve this goal by formulating policies that ensure improved living standards for their citizens. In this regard, health stands as a primary component of a good quality of life (Tüylüoğlu & Tekin, 2009: 1).

### **FINANCING OF HEALTH EXPENDITURES**

From the earliest civilizations to the present day, healthcare services have continuously existed. Initially, these services were centered around nurses and physicians; however, by the 20th century, they evolved into a multidimensional system involving various professions and sectors. The transformations and advancements in the provision of healthcare services have also brought about significant changes in their financing mechanisms. Following the Industrial Revolution, changes in social classes led to emerging needs and corresponding solutions. While healthcare financing was once categorized primarily into two sources—tax revenues and contributions to social insurance funds, modern financing systems are now analyzed in much greater detail (İstanbuluoğlu, Güleç & Oğur, 2010: 87).

In order to cultivate individuals who are both healthy and willing to rationally plan for their futures, and to ensure economic development, healthcare services must be improved and expanded. However, such improvements and expansions require healthcare institutions to increase their expenditures. The financing of healthcare services typically relies on insurance premiums, tax revenues, and out of pocket payments. Nevertheless, these sources are often insufficient to fully meet the financial needs of the healthcare system (Orhaner, 2006: 3).

The share of health expenditures in the economy and the methods of financing these expenditures vary from country to country depending on their level of development. Advancements in technology, changes in patient demographics, and increasing life expectancy necessitate tighter control over health expenditures. Regardless of the type of financing method used, the fundamental goal of every country is to deliver healthcare services efficiently, with fairness, acceptable quality, and adequate access. The manner in which healthcare is financed, and how the financial burden is distributed among citizens, are critical determinants of the equity, accessibility, and quality of the services provided (Tatar, 2011: 104).

Reforms related to the financing of healthcare services are increasingly being used in low- and middle-income countries as part of broader efforts to strengthen their health sectors. These reforms aim to provide greater protection for the poor (Bennett & Gilson, 2001: 1).

The types of healthcare financing can be categorized as follows (Çelikay & Gümüş, 2010: 187):

- ✓ Financing of Healthcare Services through the Market Economy
  - Out-of-Pocket Payments
  - Private Health Insurance
- ✓ Financing of Healthcare Services through the Public Economy

- Tax-Based Financing
- Social Insurance
- ✓ Integrated Financing
  - A Combination of Market and Public Sector Interventions

### **Financing of Health Expenditures through the Market Economy**

Private financing refers to a system based on out-of-pocket payments made at the point of service and private health insurance. This approach is fundamentally rooted in individuals' ability to pay, and therefore, it cannot be considered a comprehensive or equitable system. Since only those with sufficient financial means can insure themselves and benefit from healthcare services, this model exacerbates inequality and leads to injustice within society. As emphasized by the World Health Organization, this system is primarily designed to serve the needs of privileged segments of society who have the financial means to pay. Moreover, due to the lack of coordination between private institutions and private insurers, administrative costs are significantly higher under this model. By its very nature, the private financing system is structured around the provision of services to individuals, making it largely ineffective in addressing broader public health issues (TTB, 2005: 11).

#### **Out-of-Pocket Payments**

Although out-of-pocket payments exist in every healthcare system, they are not suitable as a standalone financing method due to the unpredictability of when, where, and at what cost healthcare needs will arise. In this context, out-of-pocket payments refer to direct expenditures made by individuals for healthcare goods or services that are not reimbursed by the government or any other third-party payer. In modern healthcare systems, out-of-pocket payments are primarily associated with user fees or co-payments. The main rationale behind these payments is to reduce unnecessary demand and to regulate the utilization of healthcare services (Tatar, 2011: 113–114).

Since healthcare expenditures cannot be predetermined, they may impose an unexpected financial burden on households and individuals. While out-of-pocket payments are sometimes used to mitigate this risk in healthcare financing, they may also create significant challenges. On one hand, out-of-pocket spending, which varies in scope and form across countries, can provide additional resources and reduce system-wide costs, yielding positive effects. On the other hand, such payments may result in substantial problems for both individuals and healthcare systems. Therefore, out-of-pocket payments have become one of the key issues in shaping national health financing policies (Özgen, 2007, p. 202). For out-of-pocket payments to serve as a sole financing mechanism, individuals would need to possess at least a basic level of knowledge about healthcare and a fairly distributed, balanced level of income. However, due to market failures, this is not feasible (Çelikay & Gümüş, 2010: 189).

#### **Private Health Insurance**

Private health insurance functions as a reimbursement mechanism, allowing individuals and institutions to insure against health-related risks. Similar to out-of-pocket payments, private health insurance should not serve as the primary financing mechanism in a healthcare system. Rather, it can be utilized for different purposes and at varying levels depending on the context. In some countries (France), it serves as a complementary tool to public healthcare institutions, while in others (United States), it constitutes the main source of health financing for a significant portion of the population. Therefore, private health insurance is often used to finance aspects of healthcare that are not covered by public services. In the private sector, the premiums paid by individuals are largely determined by their health risks or health status, whereas in social insurance systems, premiums are directly linked to income and are entirely unrelated to the individual's health condition (Tatar, 2011: 114).

The most important advantage provided by private health insurance is that it allows scarce public resources to be directed toward disadvantaged, low-income individuals who are unable to access private insurance. This goal is achieved by enabling individuals with relatively higher income levels to opt for private health insurance. The private insurance sector's emphasis on innovation, efficiency, and profit motives can influence consumer preferences and lead them to shift away from public systems (İstanbulluoğlu et al., 2010: 91).

### **Financing of Health Expenditures through the Public Economy**

The financing of healthcare services through the public economy refers to a system that ensures healthcare is provided comprehensively from a public-oriented perspective. Because this approach prevents the commercialization of healthcare services, it is often criticized by proponents of free-market policies (TTB, 2005: 12). Public financing of healthcare services is also driven by the unequal distribution of income and the intrinsic nature of health services, which generate both positive and negative externalities. The necessary governmental interventions can be summarized as follows (Çelikay & Gümüş, 2010: 180):

- ✓ Ensuring equitable distribution of healthcare services to compensate for the inequalities in income distribution that prevent equal access for all,
- ✓ Addressing market failures in the healthcare sector,
- ✓ Providing high-quality and preventive healthcare services,
- ✓ Financing and regulating the healthcare system.

The public financing of healthcare services can be categorized into two primary mechanisms: tax-based financing and mandatory health insurance schemes.

### **Financing through Taxation**

The taxation-based financing system refers to the collection of taxes from citizens within a country into a centralized pool, which is then allocated by the government to various sectors, including healthcare. Through this system, individuals contribute to the healthcare system via taxes and, apart from any required co-payments, do not incur additional costs when utilizing services. In this model, the country's tax collection capacity and the fairness of the tax system are of critical importance. Additionally, the economic effects of taxation must be considered. Excessively high taxes may reduce worker motivation, constrain investment capacity, and negatively impact competitiveness (Tatar, 2011: 112).

To support various government functions, multiple types of taxes are utilized as part of public revenue. Consequently, the healthcare system must secure consistent funding through regular government budgets and compete with other government-financed programs for available resources. General revenue taxes vary and may include import taxes, royalties from natural resources, value-added and sales taxes, as well as income and corporate taxes. Low-income countries tend to rely on easily collectible taxes, such as import and export duties. However, taxes such as value-added tax (VAT) and income tax should ideally be implemented in alignment with broader and more advanced tax systems (Ministry of Health of the Republic of Türkiye, 2010: 161).

### **Mandatory Insurance and Integrated Financing**

Since every individual may encounter health problems at various stages of life, health insurance has historically become the first and foundational component of social insurance systems. Families with health insurance are able to cover their treatment expenses and sustain their livelihood through this mechanism. The contributions and premiums individuals pay while healthy serve to finance the cost of healthcare services when they become ill. As a result, the acquisition of healthcare services does not become burdensome, and individuals do not face uncertainty regarding their future (Orhaner, 2006: 8).

The primary objective of social insurance institutions is to manage a social security system that is accessible, effective, fair, aligned with modern standards, and financially sustainable. The core functions of such institutions include implementing policies that enhance social security, providing services to individuals and organizations, disseminating information, and establishing connections and agreements with international organizations when necessary (Gökbunar & Koç, 2009: 24). The protection of individual health and the financing of expenditures arising from health-related risks are ensured through general health insurance schemes. Legal regulations require that individuals be either directly covered under general health insurance or be dependents of insured individuals to benefit from such coverage (Ekin, 2012: 164).

The continuous and predictable nature of social insurance makes it a particularly advantageous system. A country's demographic characteristics, employment opportunities, and population trends provide valuable data for forecasting future social insurance expenditures and revenues, determining potential sources of income, and designing both short- and long-term programs. These plans offer highly beneficial insights regarding healthcare services and enable the implementation of sustainable policies for the provision and financing of such services (Tatar, 2011: 116).

In the financing of healthcare services, there are both market-oriented instruments shaped by market conditions and public economy-based financing systems that prioritize social welfare over individual benefit. The key objective is for these systems to operate in harmony by compensating for each other's deficiencies (Çelikay & Gümüş, 2010: 197).

### **CONCLUSION**

The ability of citizens in a country to benefit from healthcare services largely depends on the investments made in the health sector. Such investments can be undertaken by either government authorities or the private sector. Expenditures in the field of health not only indicate the development level of a country's healthcare system but also reflect its overall level of development and societal welfare. This underscores the importance not only of health expenditures themselves but also of how they are financed.

This study aimed to examine how health expenditures are financed by providing a theoretical evaluation of the significance of health spending, the factors influencing it, and its financing mechanisms. The findings suggest that health expenditures are critical both in terms of a country's level of development and citizens' access to healthcare services. Furthermore, it has been determined that health expenditures are financed through various mechanisms, including out-of-pocket payments, private health insurance, taxation, and mandatory health insurance—under the broader frameworks of market-based financing, public financing, and integrated financing (involving both market and public sector interventions). In this study, the financing of health expenditures was addressed from a theoretical perspective. Future research may focus on comparing health expenditures and their financing methods across different countries.

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