

# Editorial

## Public Health Finance: Fundamental Theories, Concepts, and Definitions

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### ● Theories, Concepts, and Definitions

There are many compelling motivations to advance a field of study in public health finance. Knowledge of the sources and uses of public health funding remains scarce. Evidence is not readily available on efficient models for resource allocations, and metrics to measure funding outcomes have not yet been identified. Sustainability is also mired by the absence of information on innovative financing strategies. Equally as pressing is the need for public health finance to emerge as a profession, where theories and concepts from related economic disciplines are applied to the field of public health.

*Finance* is an economic concept for securing resources. Theories assert that the allocation and distribution of resources to ensure the delivery of public-sector goods and services is a central function of government.<sup>1</sup> *Public finance* is the economic concept that facilitates the fulfillment of this function in government by focusing on policies to guide resource utilization and financing strategies such as borrowing and taxation.<sup>2</sup>

Public health is a public sector economic activity, and as such has a direct association with these theories and concepts. *Public health finance* is, therefore, grounded in public finance theories, with the distinguishing feature being a focus on the provision of resources for the delivery of public health functions. Tools to maximize the benefits of these resource allocations can be found in concepts for financial management.<sup>3</sup> Based on these theories and concepts, the following definition of this emerging field is proposed:

*Public health finance* is a field of study that examines the acquisition, utilization, and management of resources for the delivery of public health functions and the impact of these resources on population health and the public health system.

In addition to relationships already described, public health finance lies within the universe of other fields of economics and research (Figure 1). It is in fact a subset of public health systems research. Public health finance is also closely aligned with public health economics and related fields (eg, prevention-effectiveness, health-promotion economics). However, its primary focus is on resources needed and acquired for the delivery of essential public health services and other functions of the entire system. This is a distinction from economic analyses of supply and demand.

Public health finance is also not limited to the boundaries of specific segments of public health such as prevention, protection, or promotion. The focus is on the entire public health system, with efforts crossing over programs and interventions. The span of domestic and international topics covered in this *Journal of Public Health Management and Practice (JPHMP)* finance issue illustrates that point. In addition, the commentaries presented elucidate the scope and significance of public health system financing on the health and security of the nation. The commentary in this *JPHMP* finance issue by Senator Edward M. Kennedy<sup>4</sup> is laced with observations ranging from system preparedness to disparities, which is echoed by Graham<sup>5</sup> and Stephens<sup>6</sup> and is punctuated by calls from Hebert et al<sup>7</sup> for fiscal accountability.

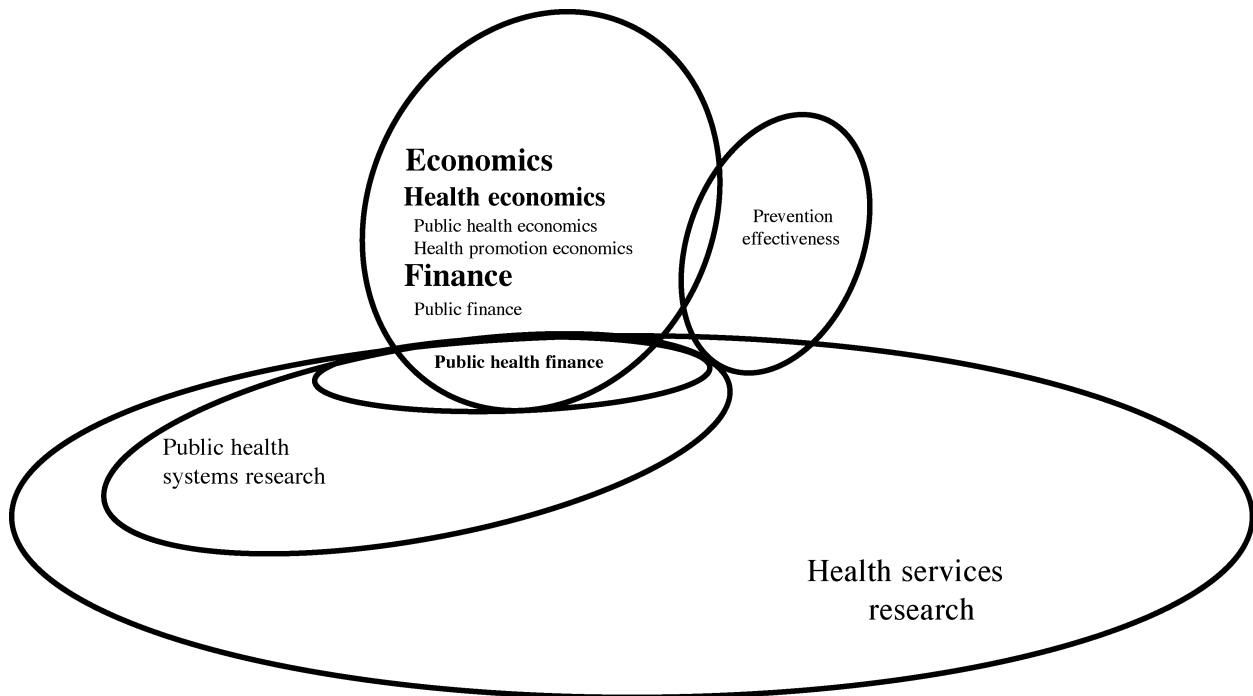
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**FIGURE 1.** Relationship of public health finance to other research and economic fields.

## ● Profession of Public Health Finance

Public health finance, identical to public finance, is fundamentally both an economic concept and a profession. However, in its current state, public health finance is not distinguished as a profession. Evidence is provided in this *JPHMP* issue that, in comparison with closely related fields, a lag with professional recognition exists, in part, because financial management concepts have not been applied or mainstreamed in public health.<sup>8</sup>

Financial management is a mix of finance, accounting, and management concepts<sup>2</sup> used to assess, predict, and minimize economic loss and to achieve stated goals<sup>9</sup> in organizations. Typically, this is practiced through a synergistic system of interrelated finance, accounting, and budgeting functions. While budgeting is probably the most recognized financial responsibility in public health, it is in fact only one component of a financial management system and “budgeting is certainly not finance or accounting.”<sup>10(p40)</sup> The role of budgeting is absolutely critical, but quantitative analysis using finance concepts applied to public health is the missing link that other industries have advanced since at least the first half of the 20th century.<sup>8</sup> In other industries, financial management competencies have been identified<sup>11</sup> and embraced, enabling the workforce to conduct quantitative financial analysis. However, public health competencies continue to focus primarily on

the budgeting function.<sup>12</sup> Analysis has also shown that master of public health finance courses do not necessarily teach the application of financial management concepts to the practice of public health.<sup>8</sup> In other industries, there is a greater focus on quantitative analysis for insights on asset and revenue growth strategies than on budgeting (fundamentally not an asset-generating concept). Public health finance must provide knowledge on methods to close these practice gaps.

## ● Agenda to Advance Public Health Finance

### Leadership

Salinsky and Gursky noted that the absence of leadership and chaotic organizational structures have stifled opportunities for change in public health.<sup>13</sup> Public health has also been described as a “political activity”<sup>14</sup> and as such, the inclusion of political leadership is absolutely critical to gaining financial support. Recommended actions from public health leaders include

- implementing Institute of Medicine’s recommendations for a national assessment of funding for the public health system followed by a national public health investment plan,<sup>15</sup>
- reestablishing Healthy People 2010 goals on public health finance topics,

- mandating measures for financial transparency,
- building consensus for a voluntary financial information system, and
- using innovation to build revenue streams that demonstrate the value of public health.

## Education

Finance officers are integral assets to organizations and need to be acknowledged as such. Finance is built on theories, concepts, and principles that need to be applied through an educated workforce in a profession that values these competencies. Education recommendations include

- identifying needed financial management workforce competencies,
- designing more master of public health finance courses to focus on the application of finance concepts to the practice of public health, and
- credentialing the financial management workforce.

## Practice

There is an immediate need for implementation of ameliorative financial management practices in public health. Mainstreaming financial management practices is absolutely central to advancing public health finance. Practitioners can play a leadership role in

- developing methods and cultural norms for sharing financial information,
- developing financial performance indicators,
- developing statewide public health finance associations, and
- establishing a National Public Health Finance Association as a professional home for the finance workforce and for providing finance technical assistance.

## Research

If a central function of government is to allocate resources to meet needs,<sup>1</sup> maximization of resources could be strengthened if these decisions were based on evidence. Research should be used to provide this knowledge. Research efforts must identify existing and potential funding gaps along with innovative revenue generation strategies to facilitate sustainability planning. A public health finance research agenda should be developed to promote the field and to support strengthening of the system. Funding the agenda is also imperative because an agenda without funding is basically rhetoric.<sup>16</sup> Suggested research-related actions include

- Build and fund a public health finance research agenda with systemwide input that includes the practice community.
- Attract new scholars to the field.

## Summary

Sustainability of the public health system is intrinsically tied to public health finance. This finance issue of the *JPHMP* represents a major milestone for defining and increasing knowledge on public health finance and demonstrating the benefits of public health finance for strengthening the public health system. However, public health must transform into a 21st century enterprise, embracing finance concepts that are vital to flourishing versus barely existing under a salvo of stakeholder criticisms. The advancement of the field of public health finance provides an infusion of hope that such concepts will be embraced and mainstreamed as core values of public health.

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