**Health care financing**

**Government-financed approach**

In this approach, the government funds the health care system based on a predetermined basis for coverage. That is, the government assesses the areas of care to be given to the public and funding is limited to these areas only. In a government-funded approach, all citizens who meet the criteria used to qualify beneficiaries, e.g. citizenship, etc. have automatic qualification to be included in the funding program. All healthcare policies in this model are generated by the government who also manages and control the costs of care provided to the beneficiaries based on the market characteristics. The main advantage of government-based funding is that everyone has healthcare coverage. That is, everyone in the country is granted basic care. In the US, the Medicare and Medicaid programs are government-funded and provide basic care services to all American citizens (Harimurti et al. 2013).

**The market-based funding approach**

In market-based funding approach, coverage is provided on the basis of market demands. That is, only the people who can afford the cost of care (insurance cover) gets the kinds of care they have subscribed for (Selvaraj & Karan, 2012). Here, policies are made by the insurance merchants and sold to the public. Those who are in a position to purchase the cover then do so. Although this approach provides care to diverse needs of care seekers, it can be prohibitively expensive thus locking out the majority of the population from coverage. However, compared to the government-based approach, the market-based approach is highly flexible since its availability, affordability and adequacy are determined by the private sector demands as opposed to government allocations. As a result, this funding approach is capable of adapting to various conditions to suit the consumers’ needs as opposed to the government-based approach.

**References**

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