

The Private Sector In Health In Developing Countries:

The Coming Challenges, Changes, and Choices

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- And others

This presentation will focus on:

- Current situation and future trends
- Issues and challenges
 - The impact of the recent economic/financial earthquake
 - The inevitable “economic transformation of health”
 - The emerging “third great transition” in health
 - The re-discovery of health systems strengthening
 - The values-driven debate on “Which is better -- public or private?”
 - With reflections also on:
 - providing vs. financing health services
 - government’s role as “steward” of mixed-health systems
 - Vertical vs. horizontal strategies
- Questions for today’s discussions

The “private sector” in developing countries is very diverse

“Informal”

Pharmacy shops



Street sellers



Village health workers



Traditional healers

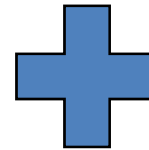


“Formal”

NGO & for-profit hospitals

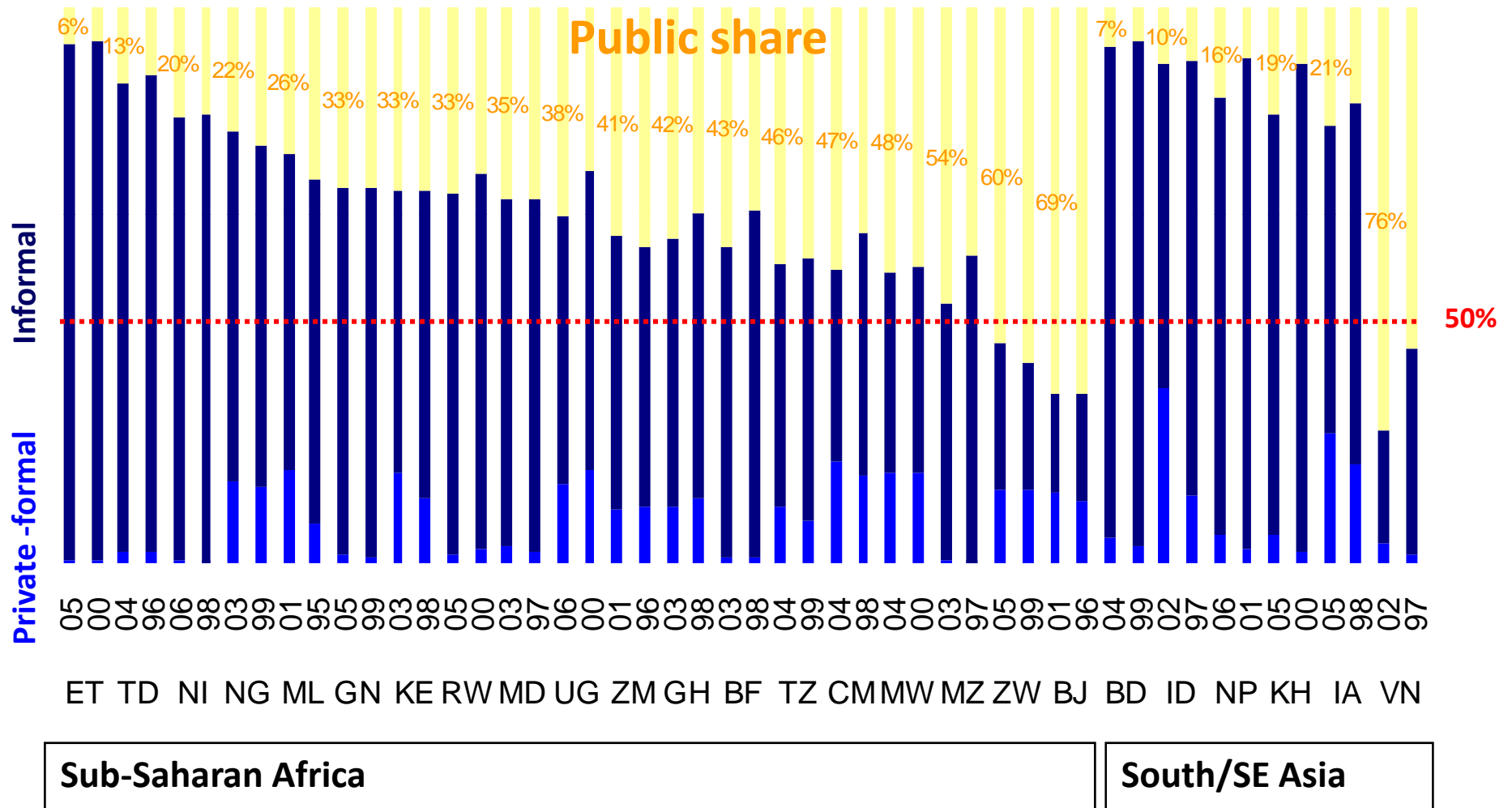


Private clinicians

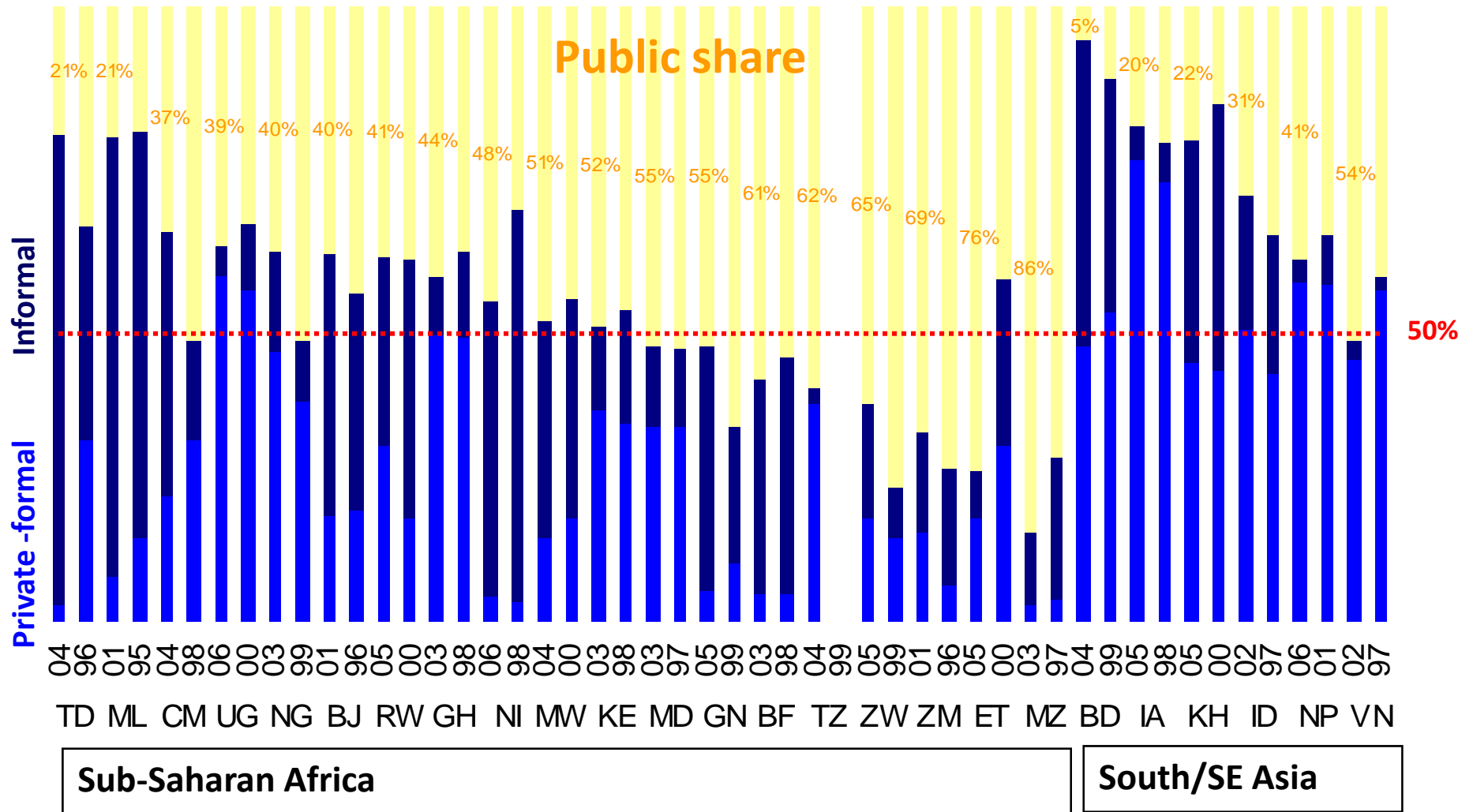


The Private Sector is Large and Important. With Big Differences Across Countries

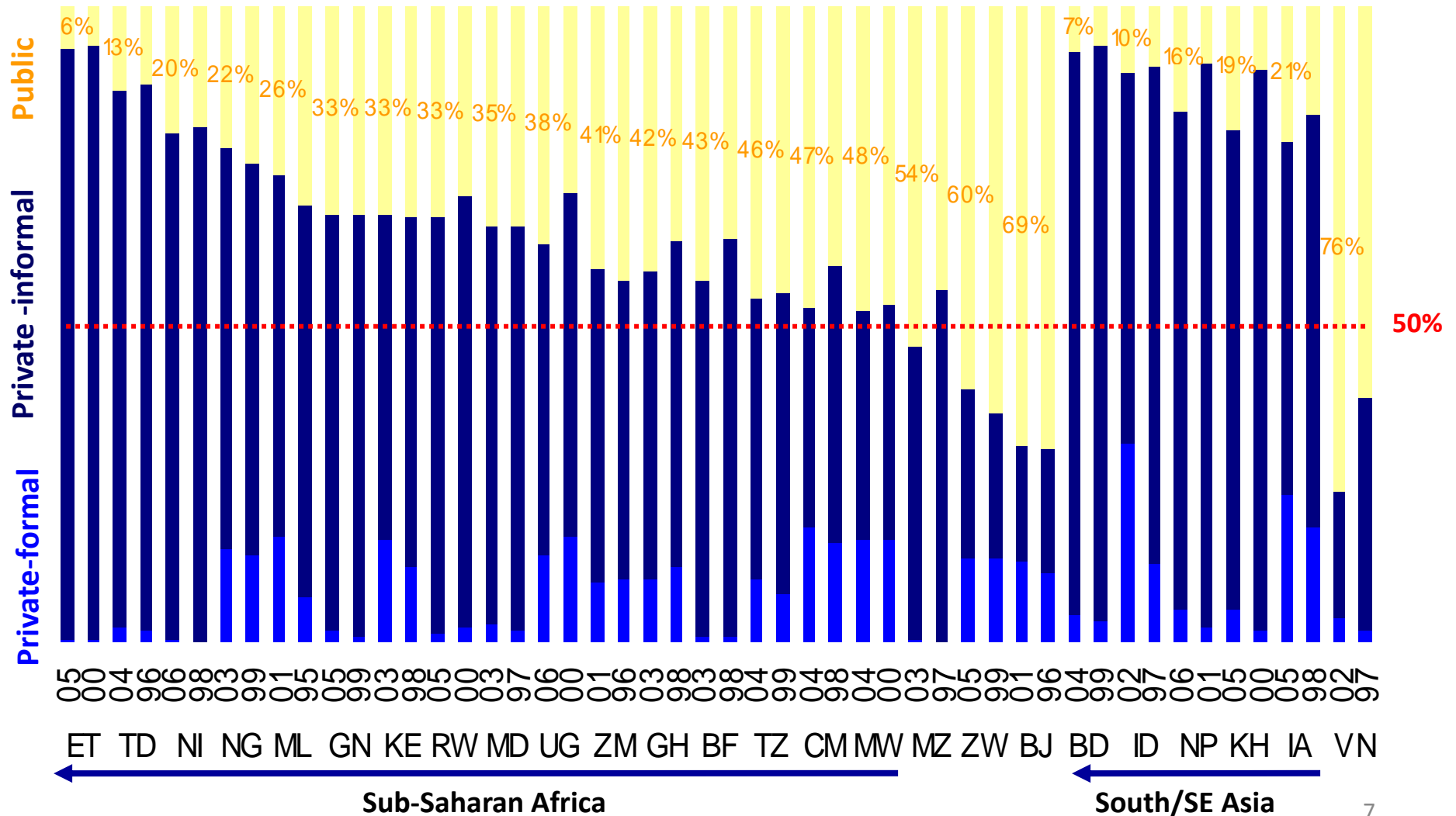
Example: Where Women Go For Deliveries



Another Example: Outpatient Visits for Diarrhea

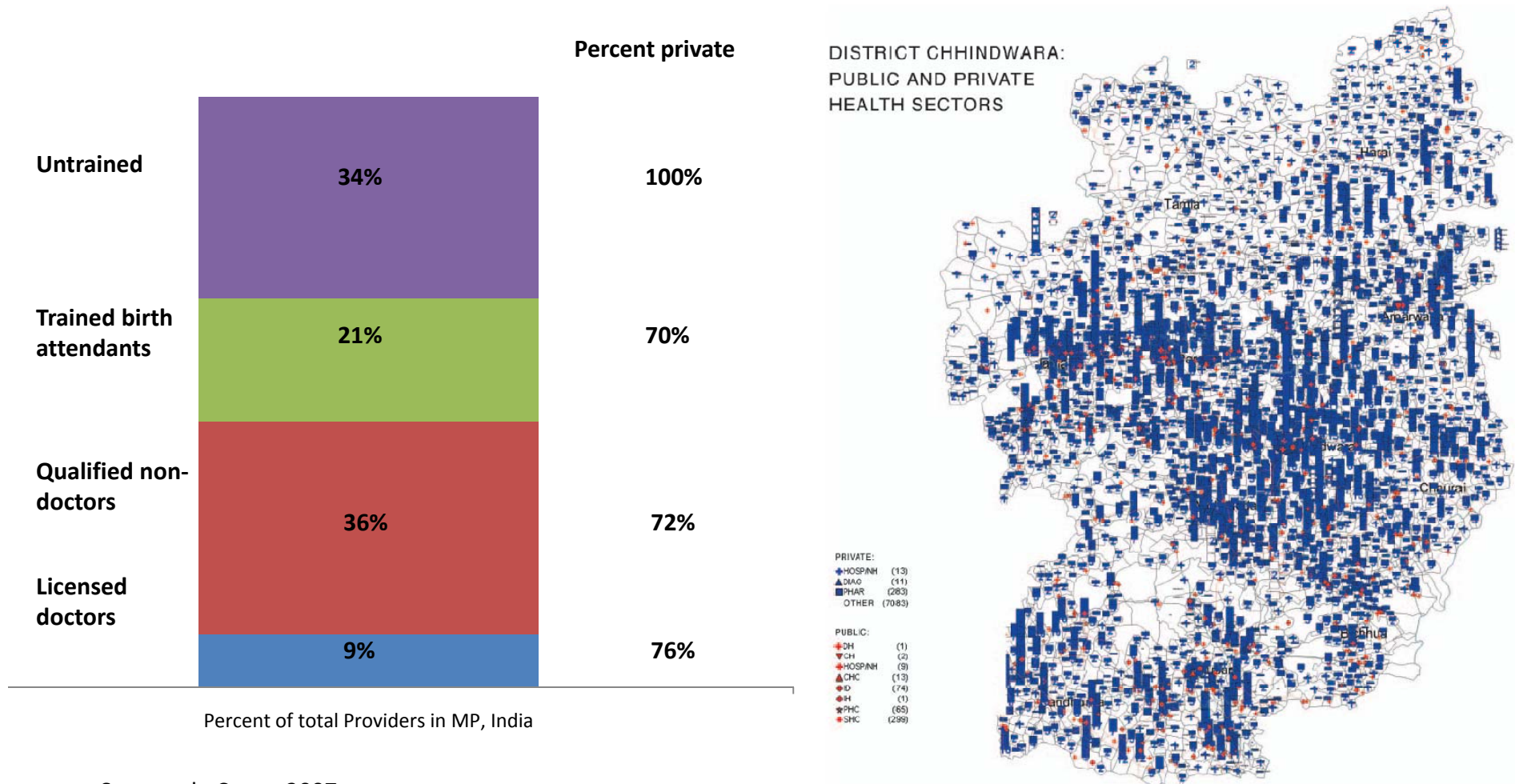


Private spending on health compared to public spending



Source: Limwattananon, 2008

Private Providers Far Outnumber Public Providers In Madhya Pradesh in India



Source: de Costa, 2007

*The state of Madhya Pradesh, India is home to 61 Million people. 73% of the population is rural and 37% lives below the poverty line.

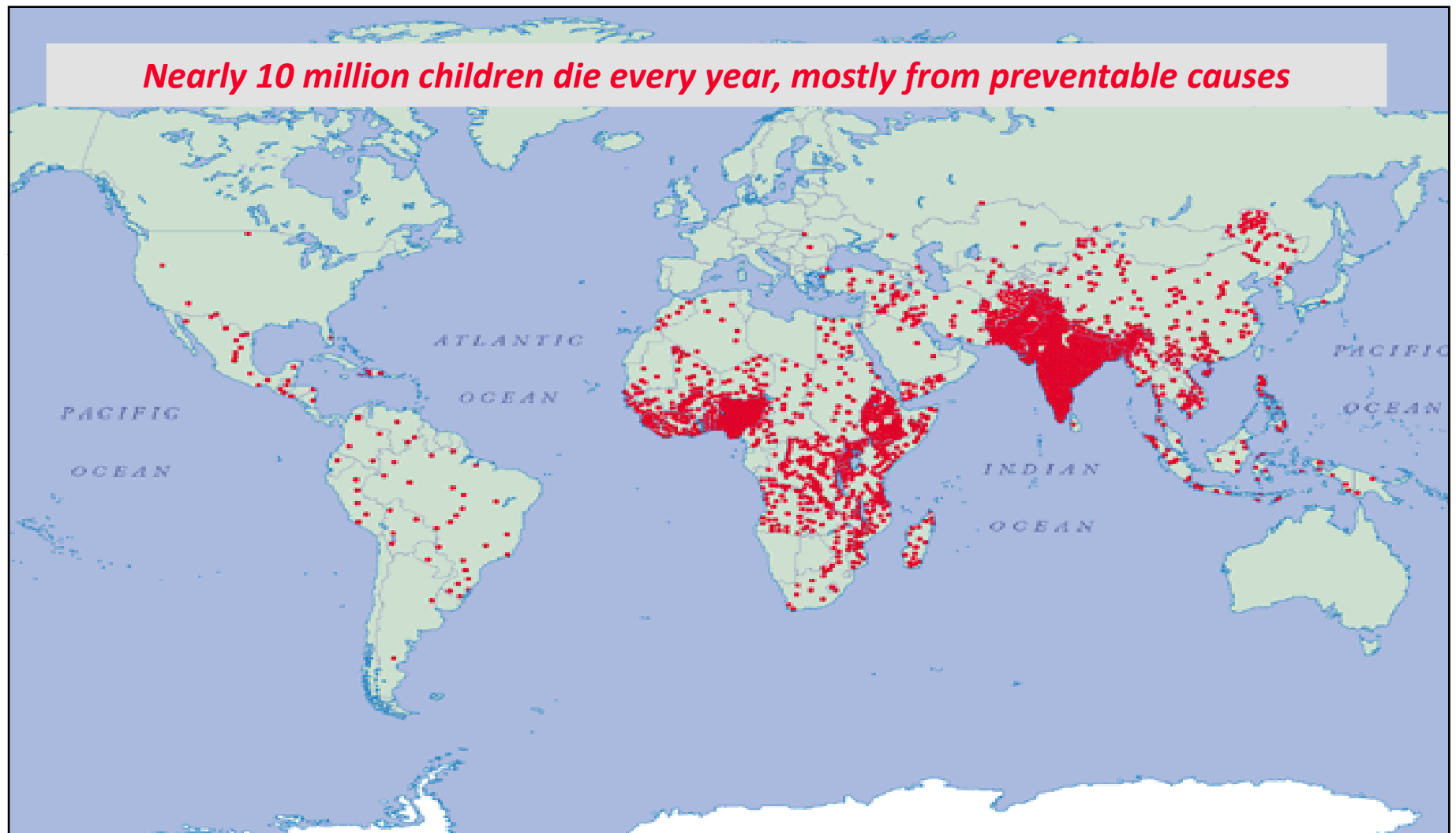
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The Impact of The Economic/Financial Earthquake

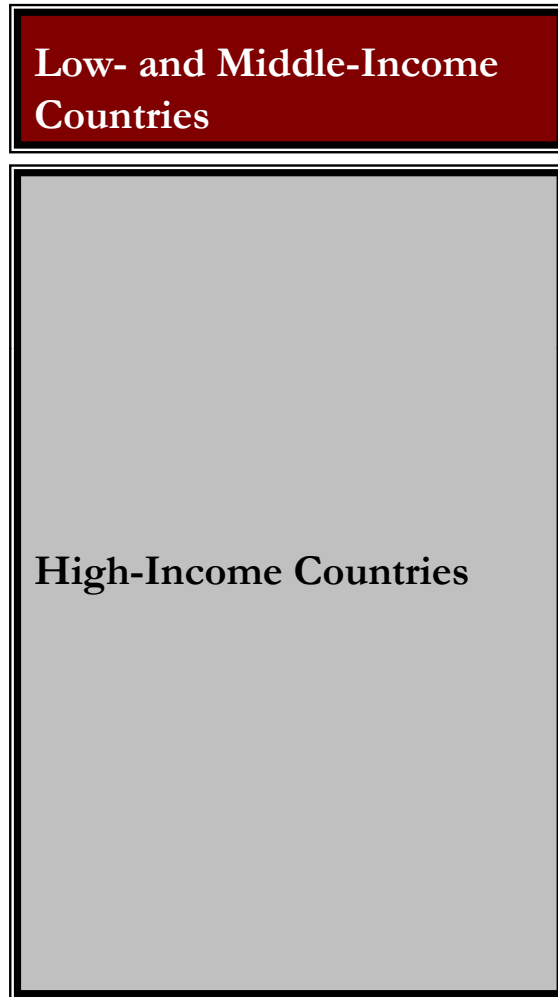
- Will recovery be faster than initially predicted?
- Will deeper changes be the real problem for global health in the years ahead?
 - Will aid decline?
 - Will health's share of aid decline?
 - Will FDI (foreign direct investment) take a long time to recover?
- Will the poorest fall further behind?
 - The 50 / 75 poorest countries?
 - The bottom 1 or 2 billion people?
- Or will crisis spur reform and progress?

Much more progress is still needed

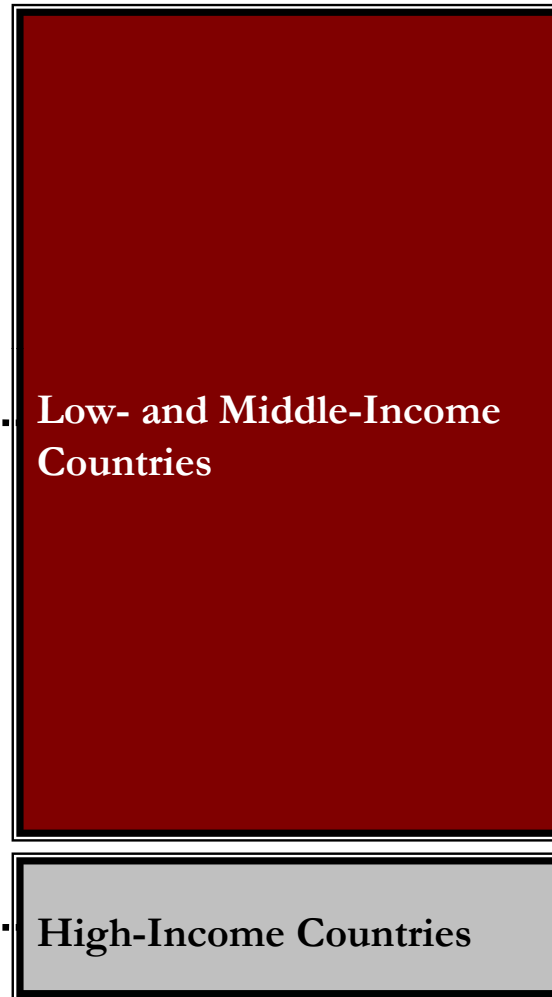


Source: Ariel Pablos, Rockefeller Foundation – from “Where and why are 10 million children dying every year?” Black RE, Morris SS, Bryce J, *Lancet* 2003; 361: 2226-34)

Global Health Spending

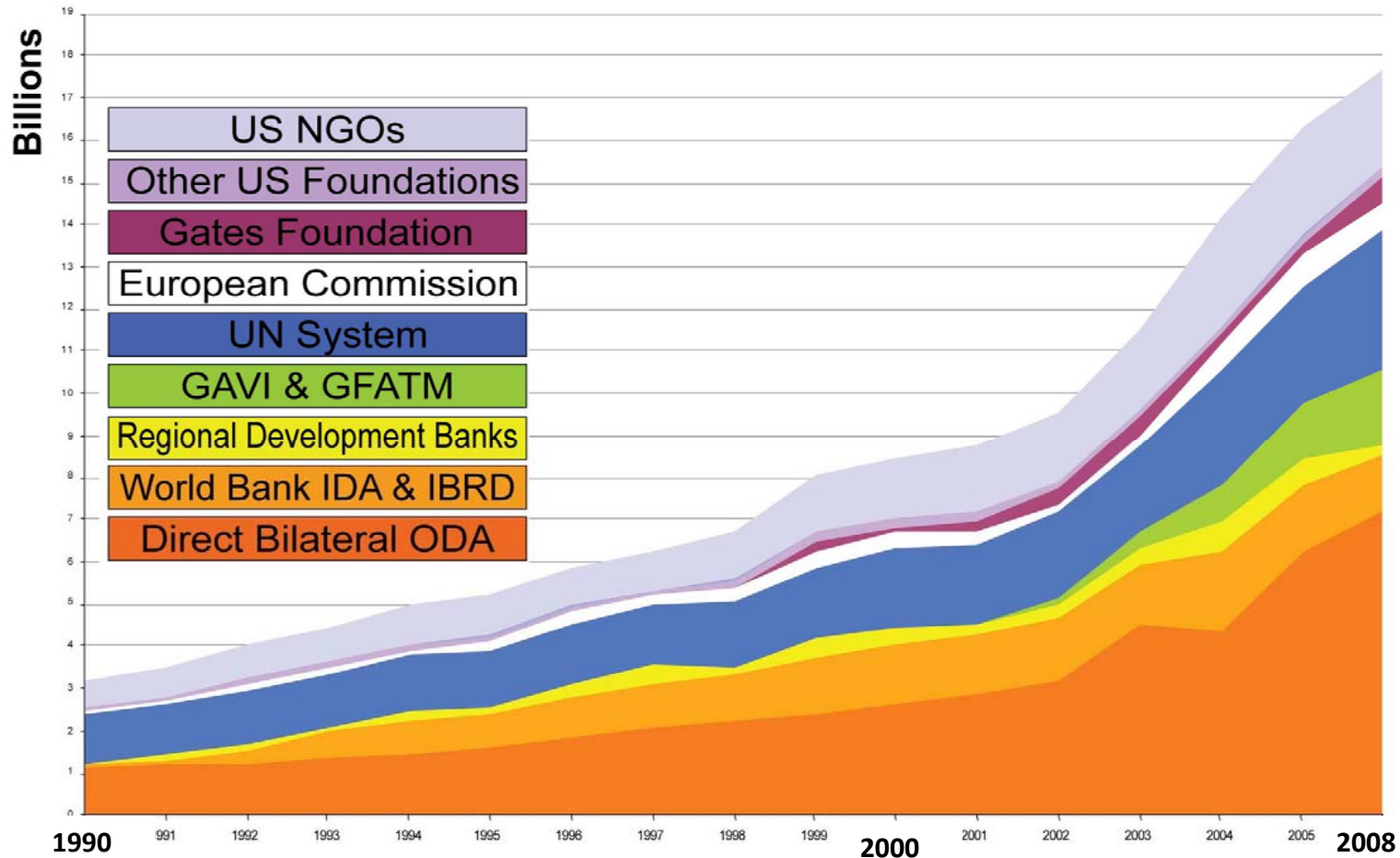


Global Disease Burden



Source: Gottret, P. and G. Schieber. 2006. "Health Financing Revisited." World Bank.

Aid for Health: By Source



An additional \$50+ billion per year is needed for priority disease initiatives?

- **\$50 bn/yr is small compared to:**
 - Total health spending worldwide: \$3,198 bn/yr¹
 - Global military spending: \$1,118 bn in 2005²
 - Global corporate net profits: Exxon/Mobile alone earned \$36 bn in 2005
 - Total capital in global financial markets: \$118,000 bn (a stock, not a flow)³
- **But large compared to:**
 - Total current development aid for health: over \$11.4 bn/yr (IMF/WB, 2004)
 - Total current ODA for all purposes: \$80 bn/yr (OECD, 2004)
 - Total current health spending in recipient countries: \$350 bn/yr¹
- **Bottom line:**
 - **Too big to solve by aid and philanthropy alone**
 - **Especially because: needed for a very long time**

¹ Gottret, P. and George Schieber. 2006. *Health Financing Revisited: A Practitioner's Guide*. Washington, DC: IBRD/World Bank.

² Stockholm International Peace Research Institute, 2006

³ McKinsey Global Institute, 2005

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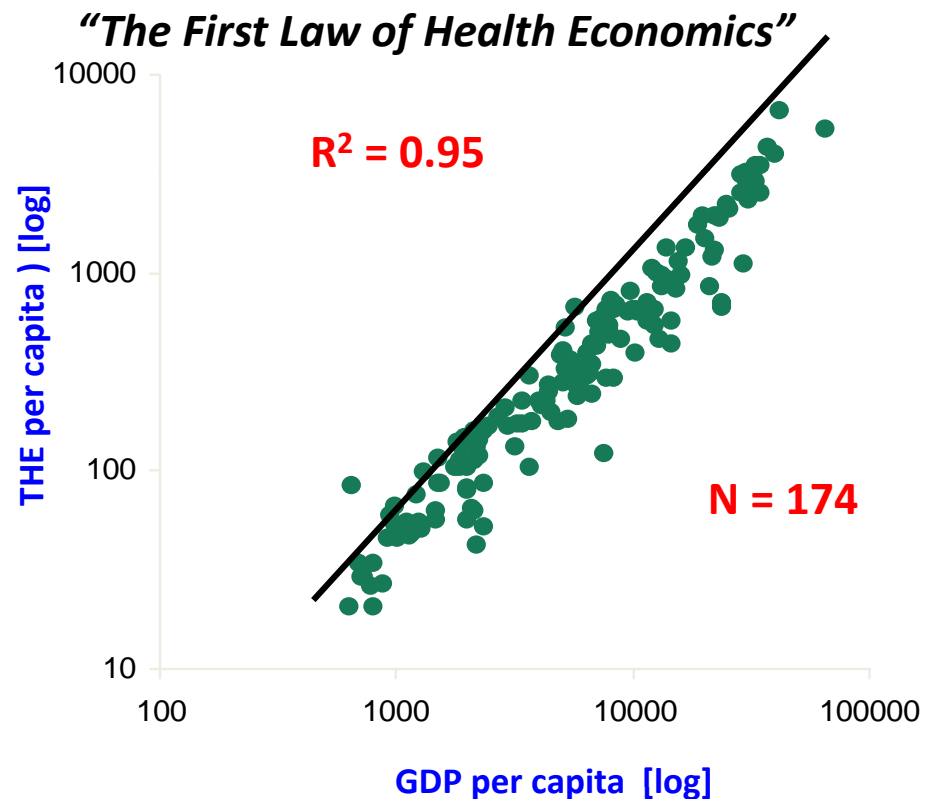
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Countries' total health spending is strongly correlated with GDP

Strong link between countries' wealth and total health spending

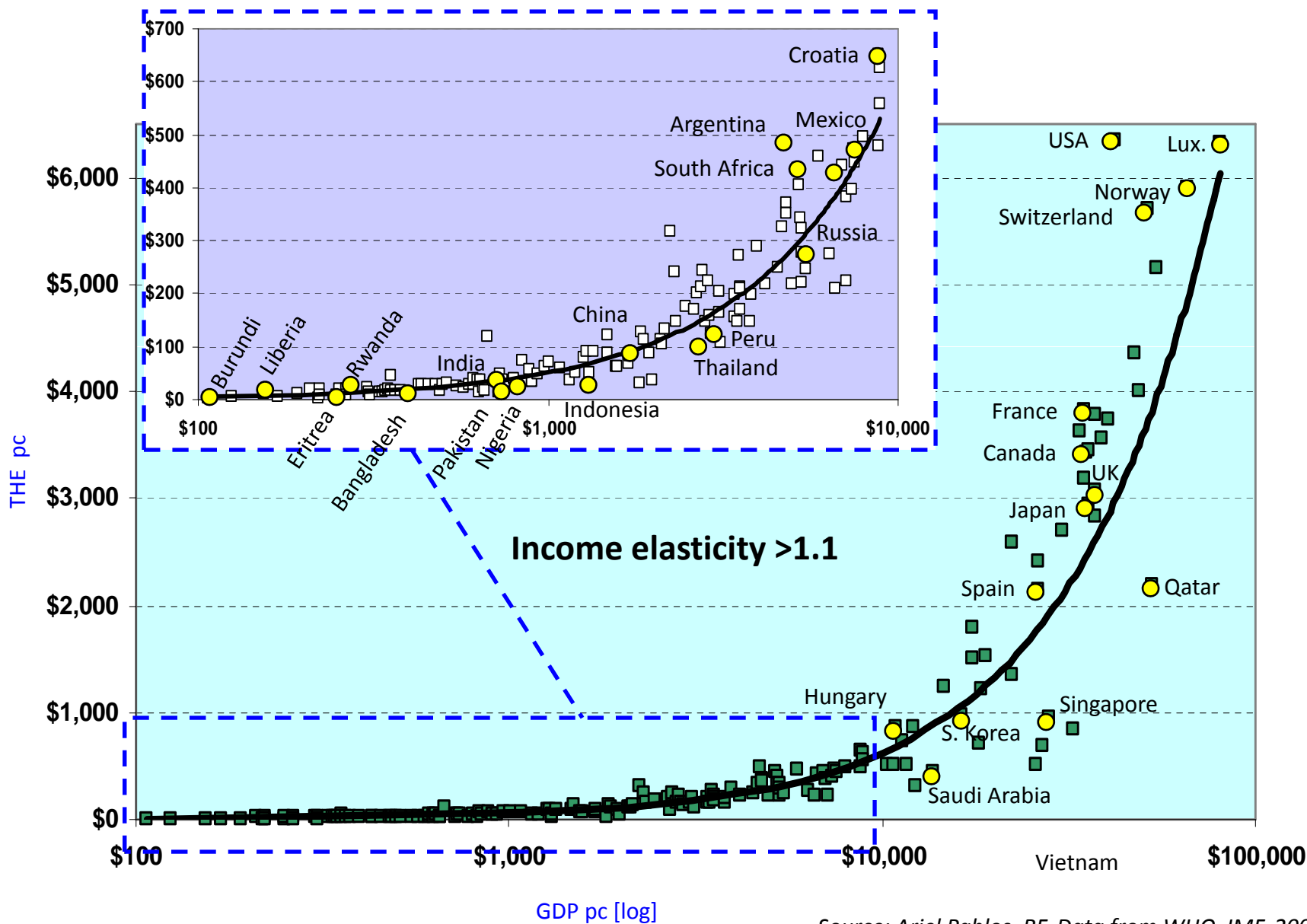
This relationship is largely unaffected by:

- **Relative share of public / private spending**
- **External donor assistance** (which may inadvertently crowd out spending elsewhere)



Source: Jacques van der Gaag; WHO/IMF 2005

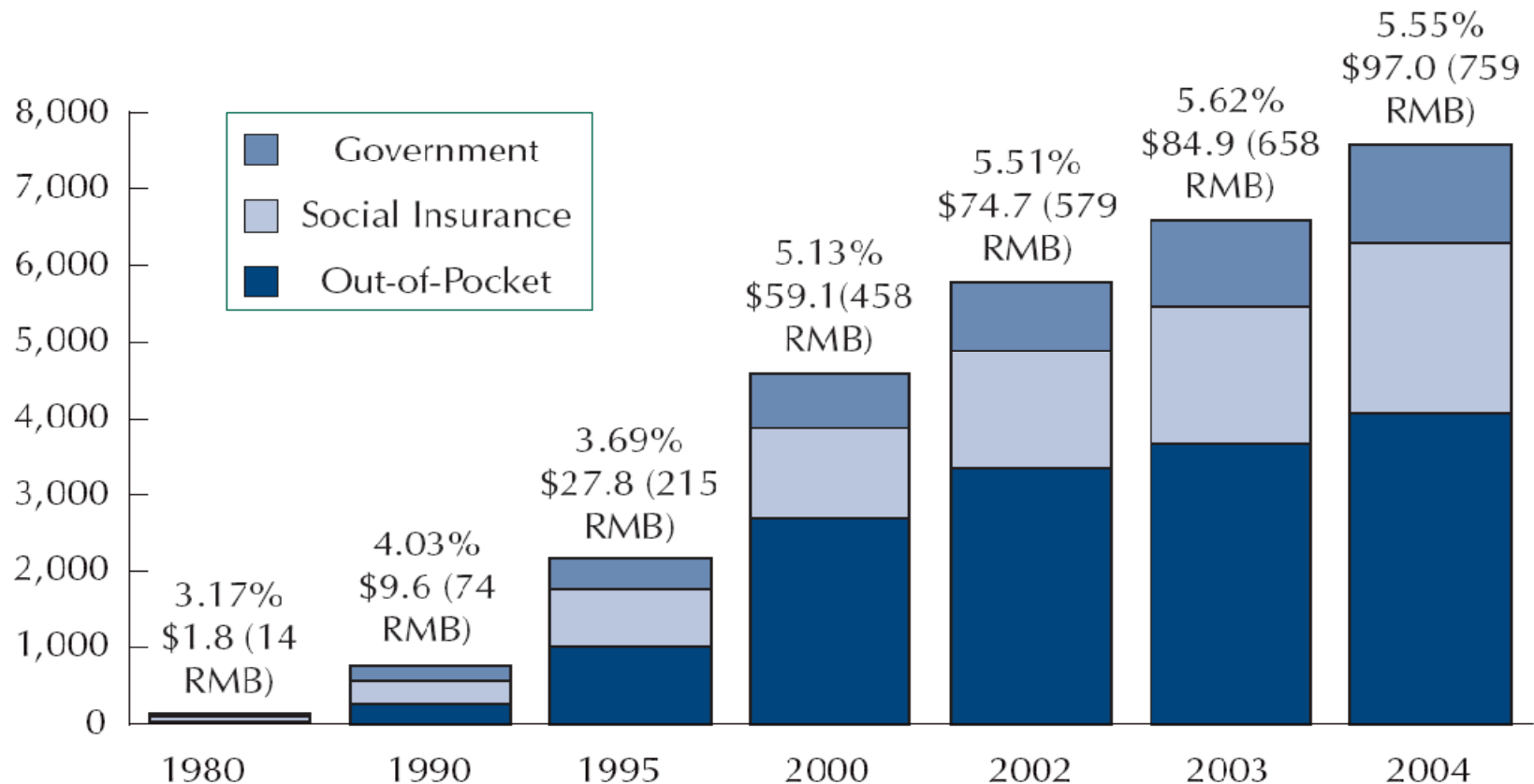
The Economic Transformation of Health



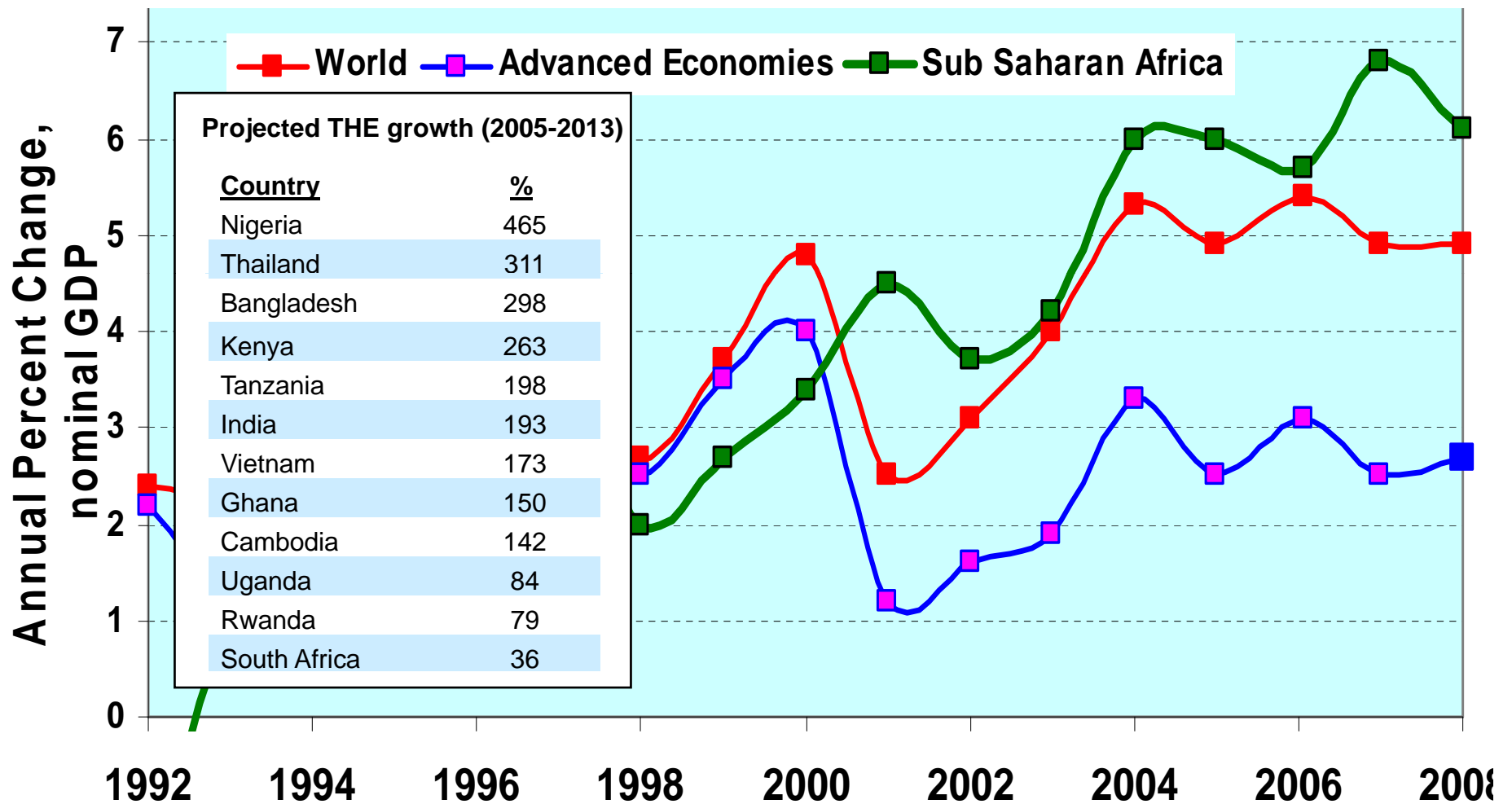
Source: Ariel Pablos, RF. Data from WHO, IMF, 2005

Health spending in China

Healthcare cost as a percent of GDP (USD and RMB in billions)*



Africa's economies may grow faster than other regions?



Source: IMF, World Outlook Database, 2007

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The Third Great Transition in Health

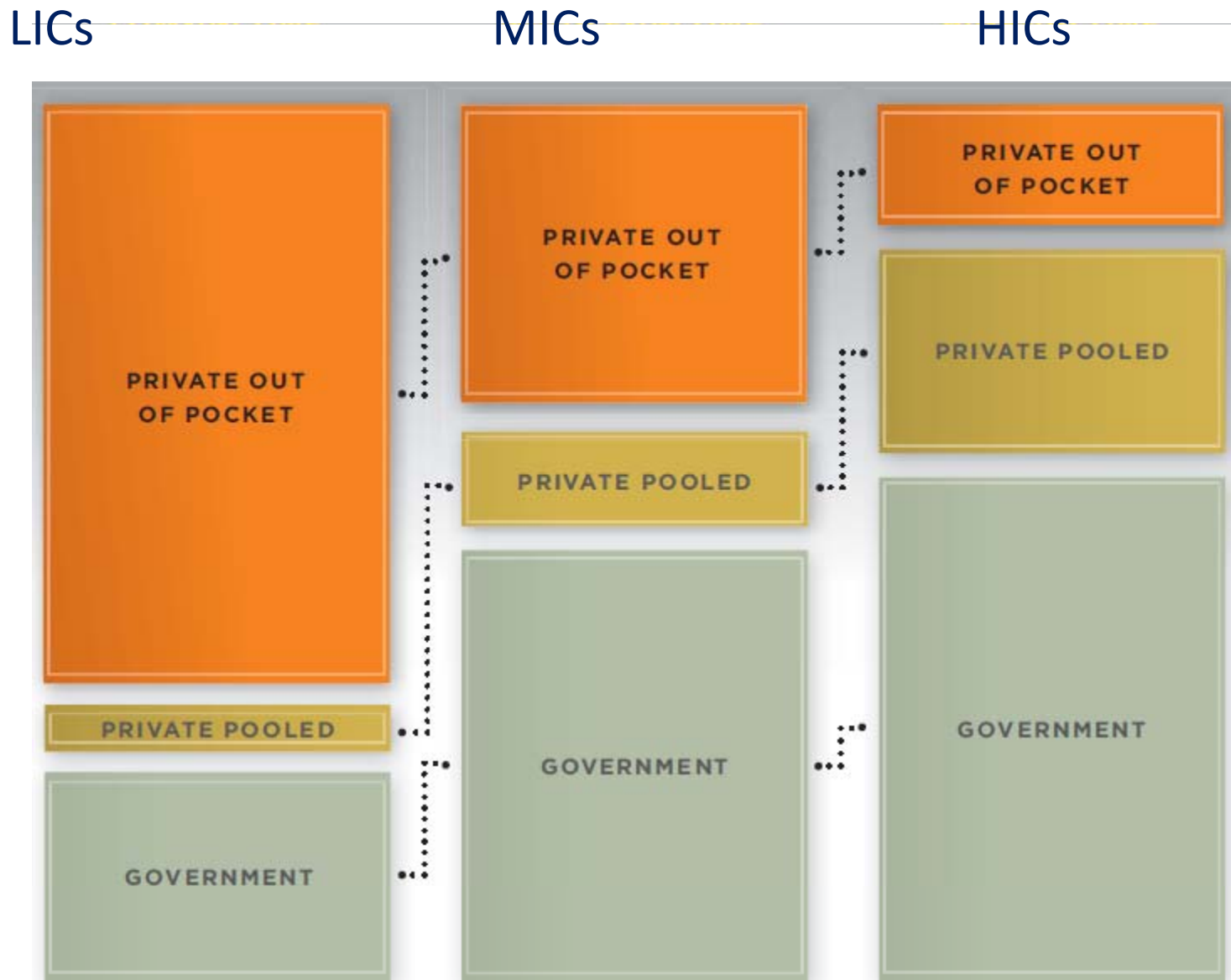
The first two transitions (mostly completed now)

- Demographic
- Epidemiological

The third transition (a goal for the 21st century?)

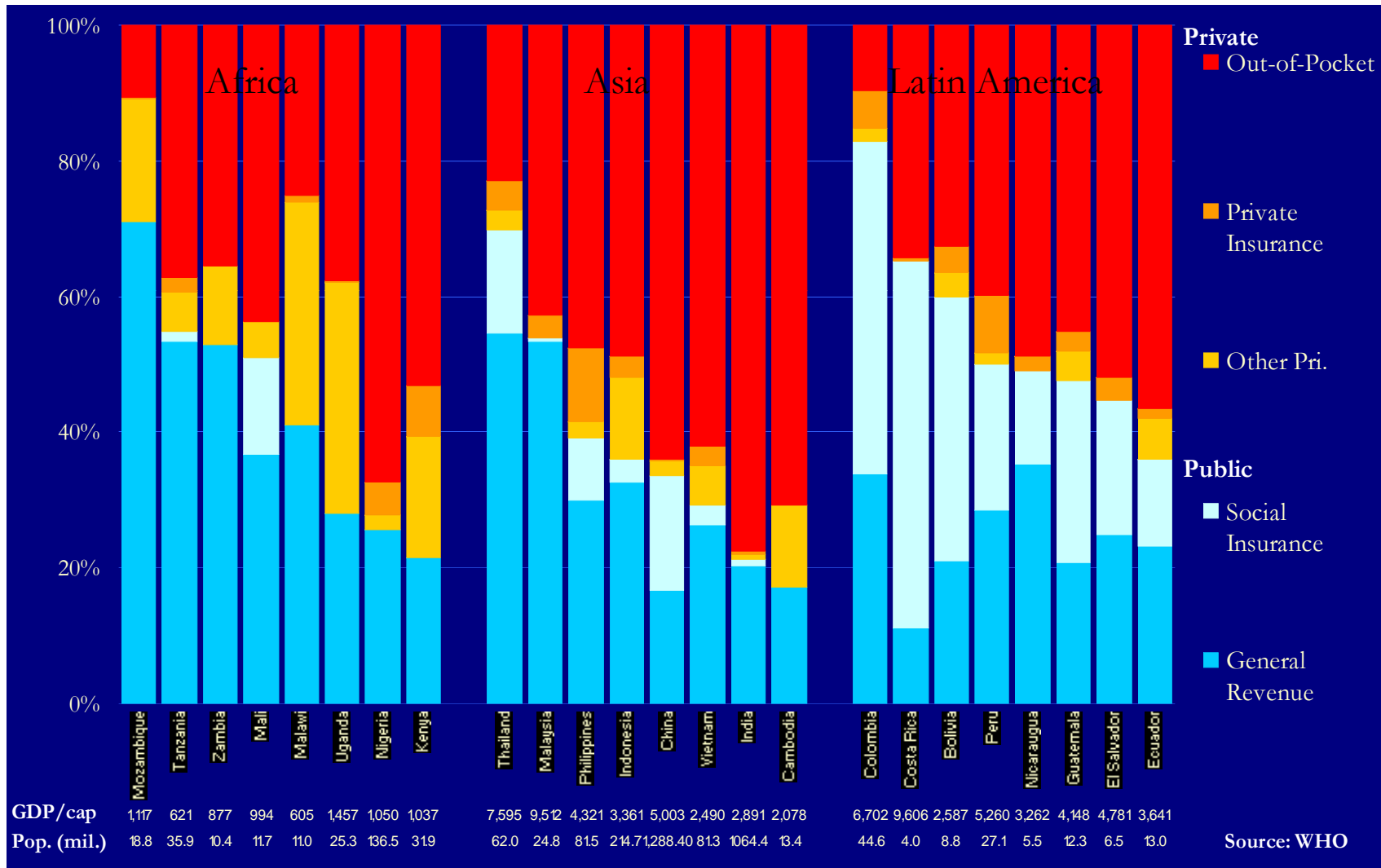
- The burden (cost) of ill health is shifted
 - From being borne mainly by the sick (5% of population)
 - To being shared by all (100%)
- Big potential benefits
 - For health, equity, and viability of health financing
- Leads to “universal health coverage”?

Health in low-income countries is primarily funded by out-of-pocket payments

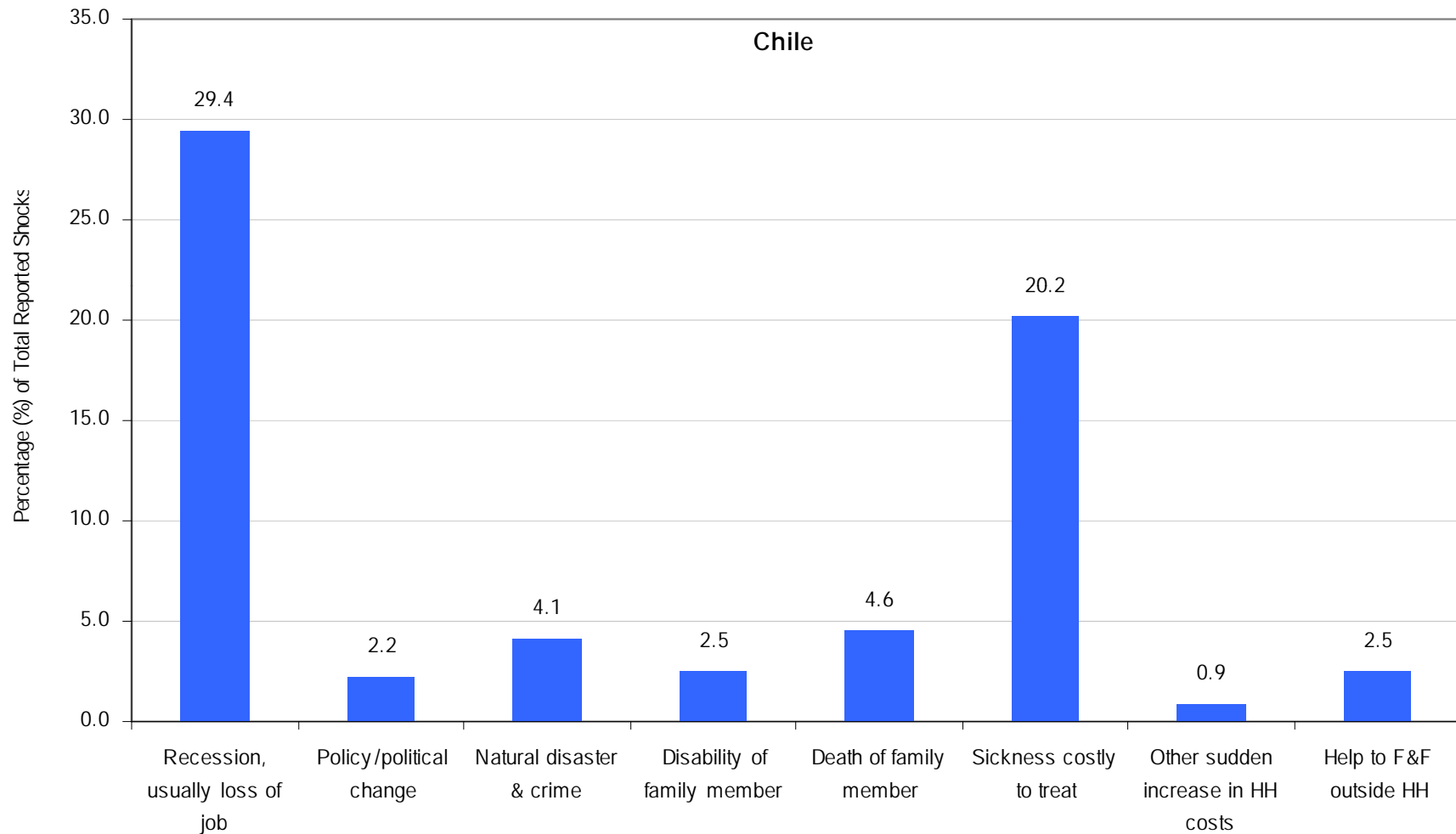


Source: The World Bank, 2008

Out of pocket payments: A big factor in many countries

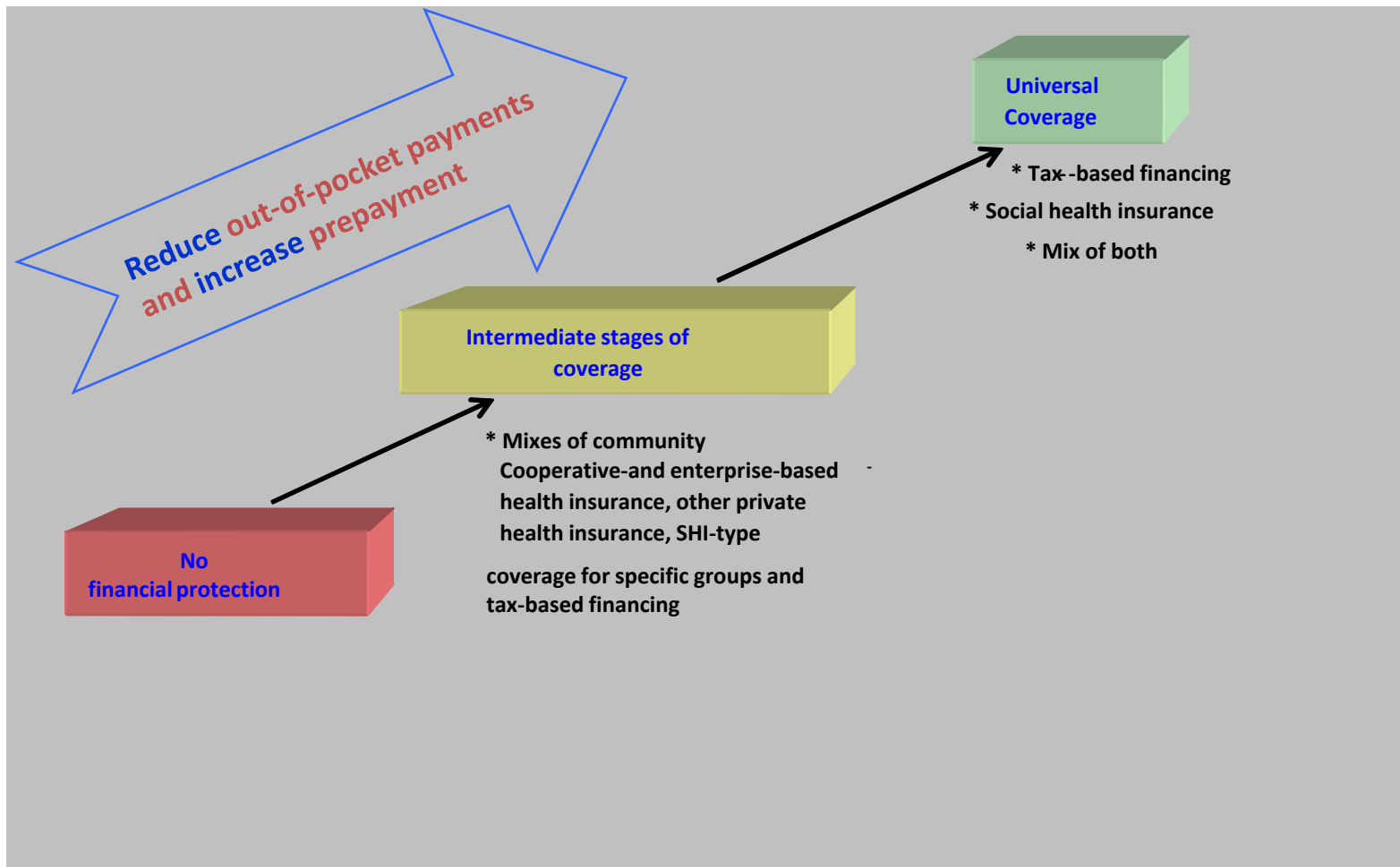


The cost of treating sickness is the second most frequently reported shock to household income

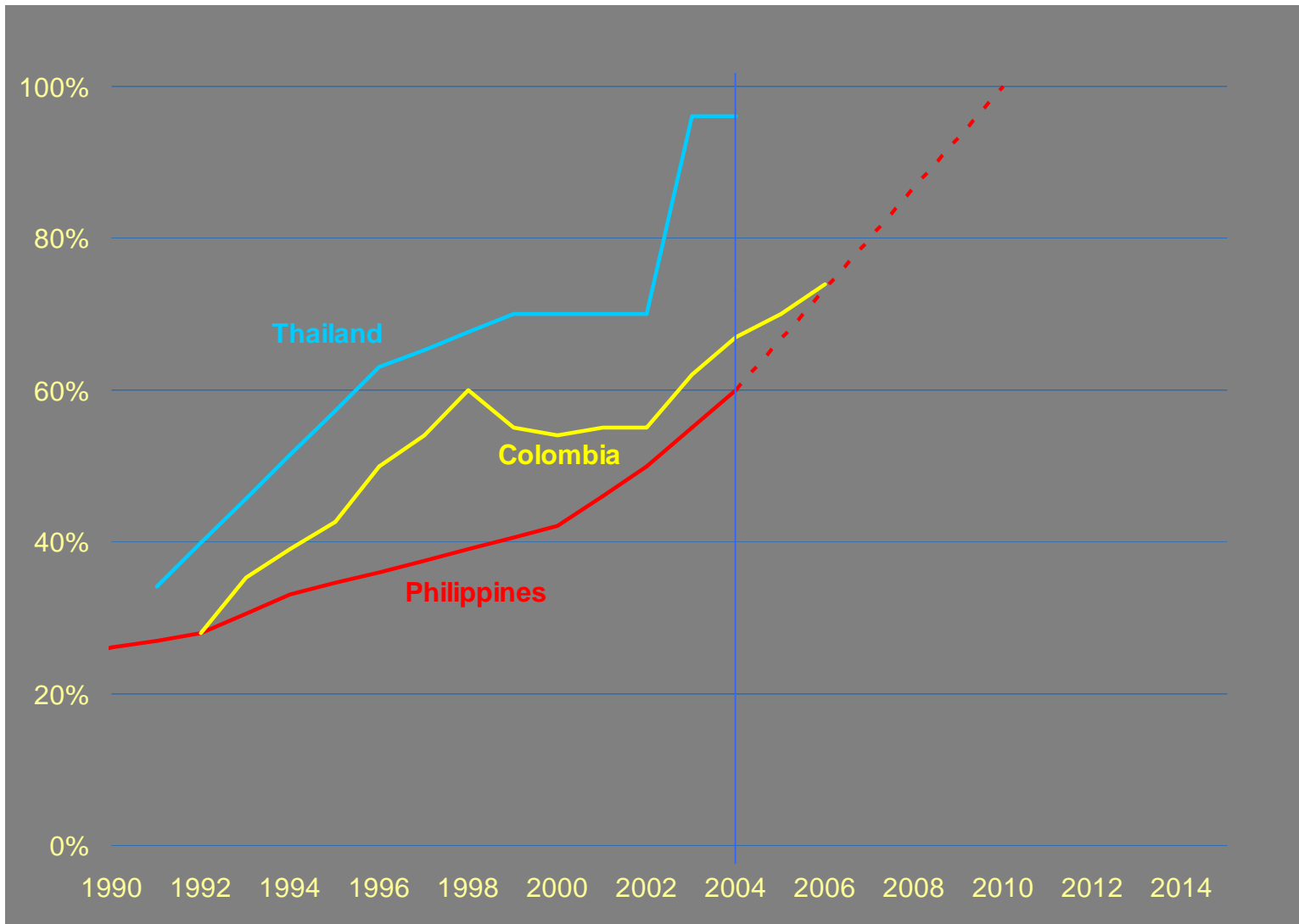


(Responses to the question “In the past three years, has your household experienced an event that has caused a significant loss in income?”, PRIESO surveys, Santiago Chile, 2000, and Lima, Peru, 2002)

Transitioning to Universal Coverage



Achieving Universal Coverage Takes Time



2007-10-28

Source: Adapted from Hsiao, 2005

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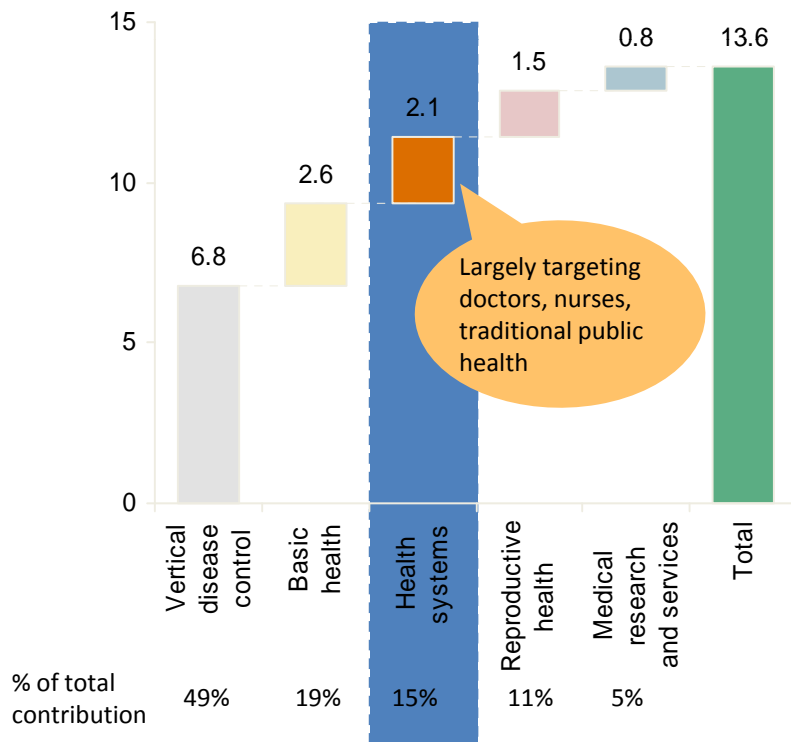
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Has global health under-invested in health systems?

~50% of health spending goes to vertical disease programs

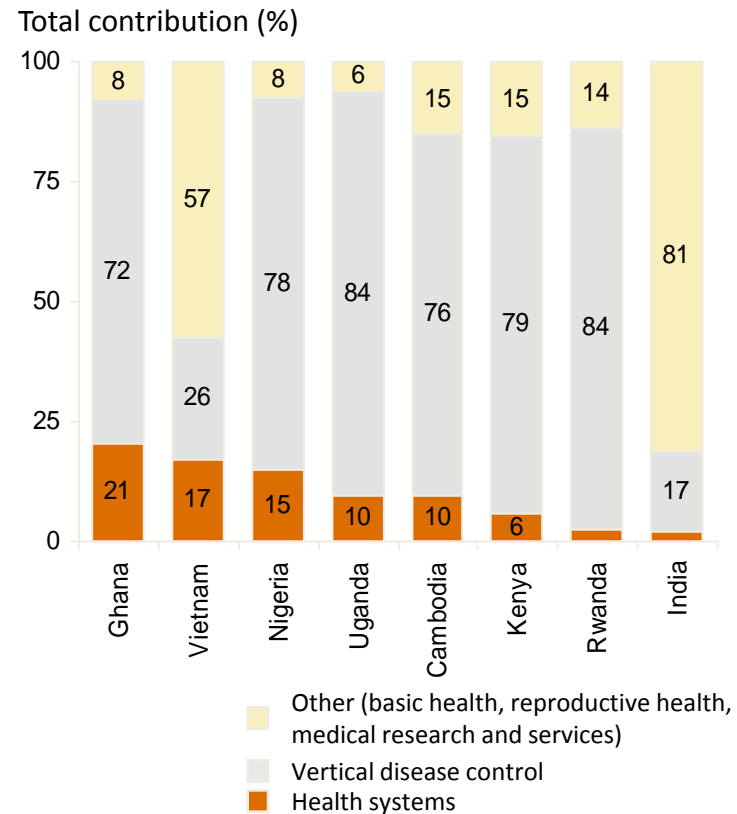
Even with broad definition¹, <15% of total global health contribution target of health systems...

2006 Global Bilateral and Multilateral Public Health Contributions (\$B)



...And some of the neediest countries receive very little health systems aid

Sample countries: Share of total contributions per aid category

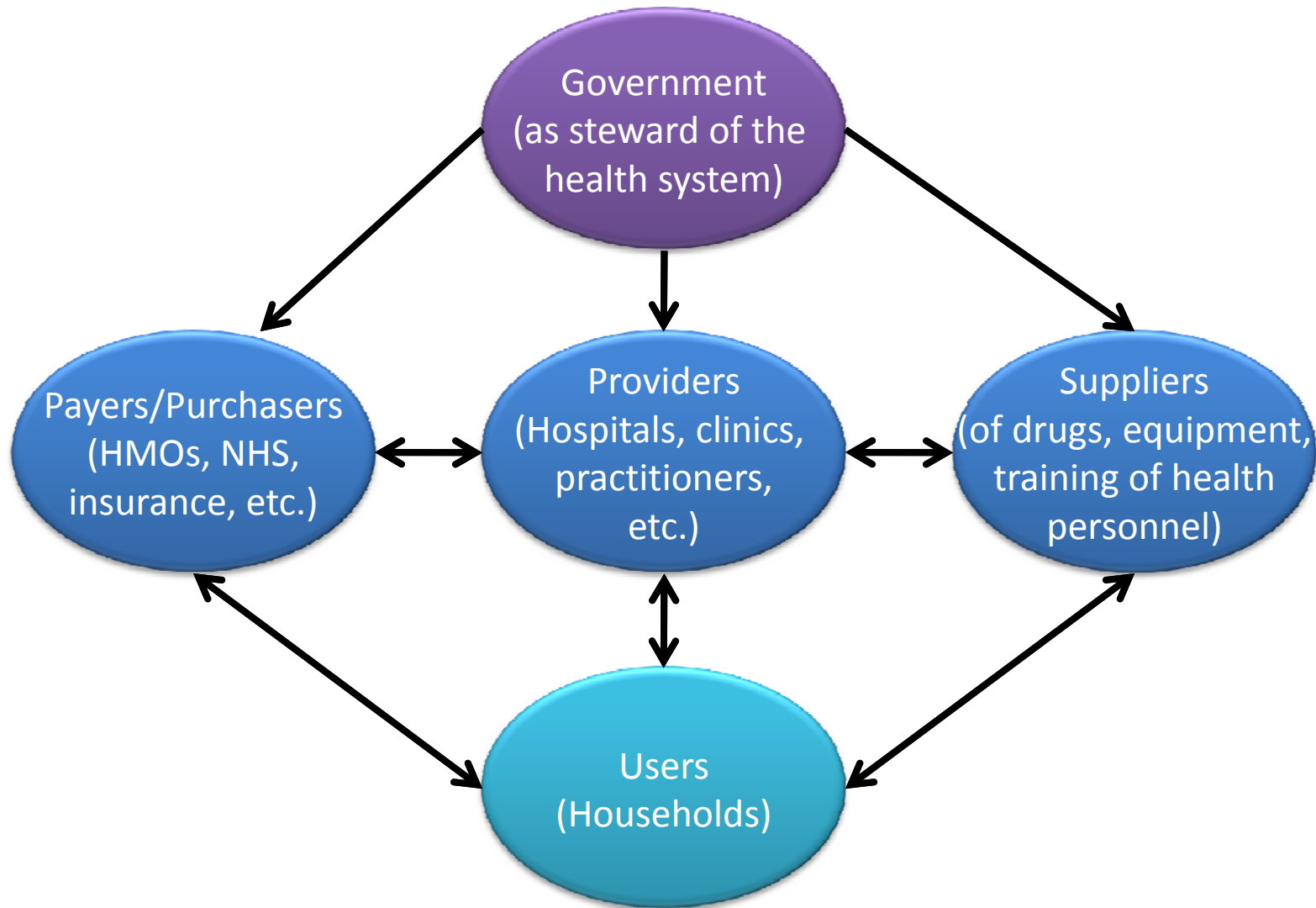


1. See appendix for categories of aid included in definition

Note: Data only includes bilateral and some multilateral agencies, and does not include private non-profit organizations

Source: Online query of two sectors in the OECD Creditor Reporting System (CRS) Database: (1) Health (2) Population Policies & Reproductive Health, 2006

A Country's Health System Includes ...



Health Systems Typically Have Multiple Goals

Intermediate Goals

Access

Quality

Equity

Efficiency



Outcome Goals

Health Status

**Financial risk
Protection**

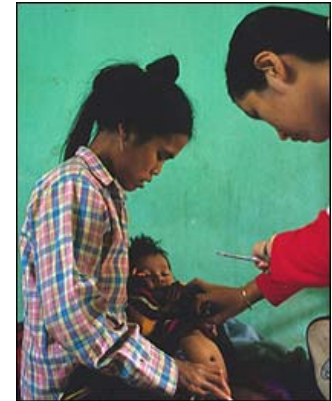
**Patient
Satisfaction**

Problems resulting from neglected health systems



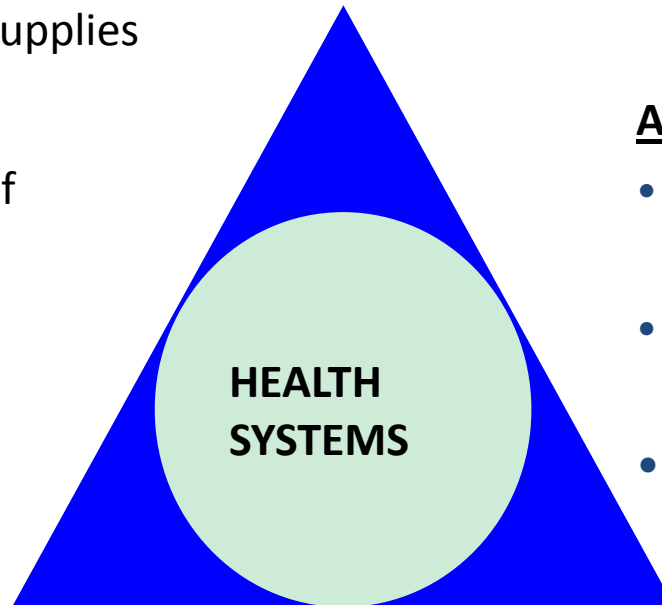
Access

- Limited availability of basic health services
- A global crisis in human resources for health
- Uneven availability of medicines and supplies



Quality

- Ignorance/misapplication of proven interventions
- Fatal mistakes
- Few provider incentive structures
- Lack of quality standards



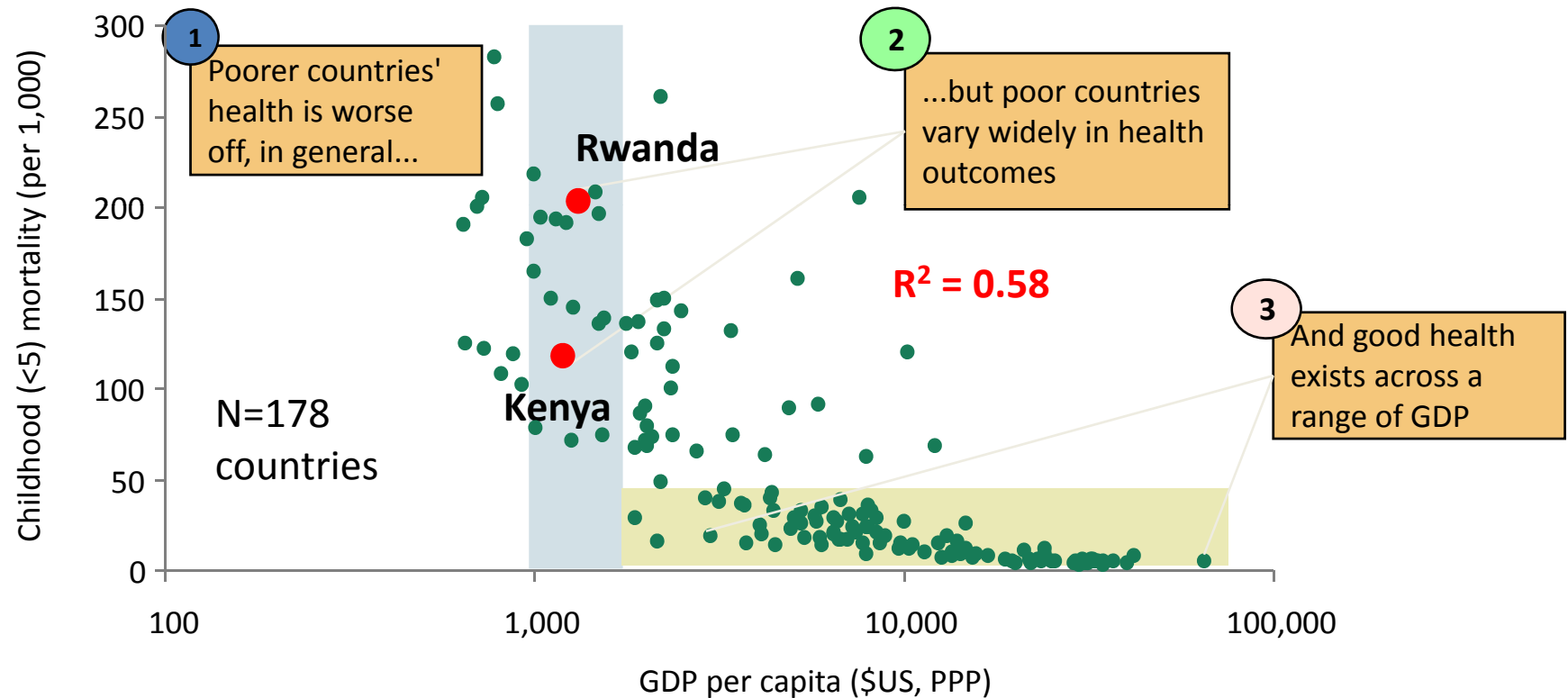
Affordability

- High out-of-pocket expenditures
- Impoverishing catastrophic expenses
- Undeveloped health insurance

Unmanaged health markets can lead to negative outcomes

| Category | Negative outcome | Example |
|-----------|--------------------------|---|
| Delivery | Uneven quality | <ul style="list-style-type: none">• Unlicensed drug sellers• Untrained providers• Unhygienic conditions• Understaffed facilities |
| | Inappropriate diagnosis | <ul style="list-style-type: none">• IV drip for common viruses• Diarrhea diagnosed as Malaria without blood test• Improper prescribing of antibiotics |
| Financing | Price-gouging | <ul style="list-style-type: none">• Overcharging for services• Overcharging for drugs |
| | Catastrophic expenses | <ul style="list-style-type: none">• Out-of-pocket payment for long-term hospitalization• Out-of-pocket payment for surgery• Out-of-pocket payment for chronic illness over time |
| | Inequitable expenditures | <ul style="list-style-type: none">• Poor pay disproportionately more of their income for health care than the rich• Poor more likely to pay out-of-pocket |
| | Lack of financial access | <ul style="list-style-type: none">• Financially prohibitive to seek care at perceived high quality outlets |

Good Health at Low Cost: Performance Matters



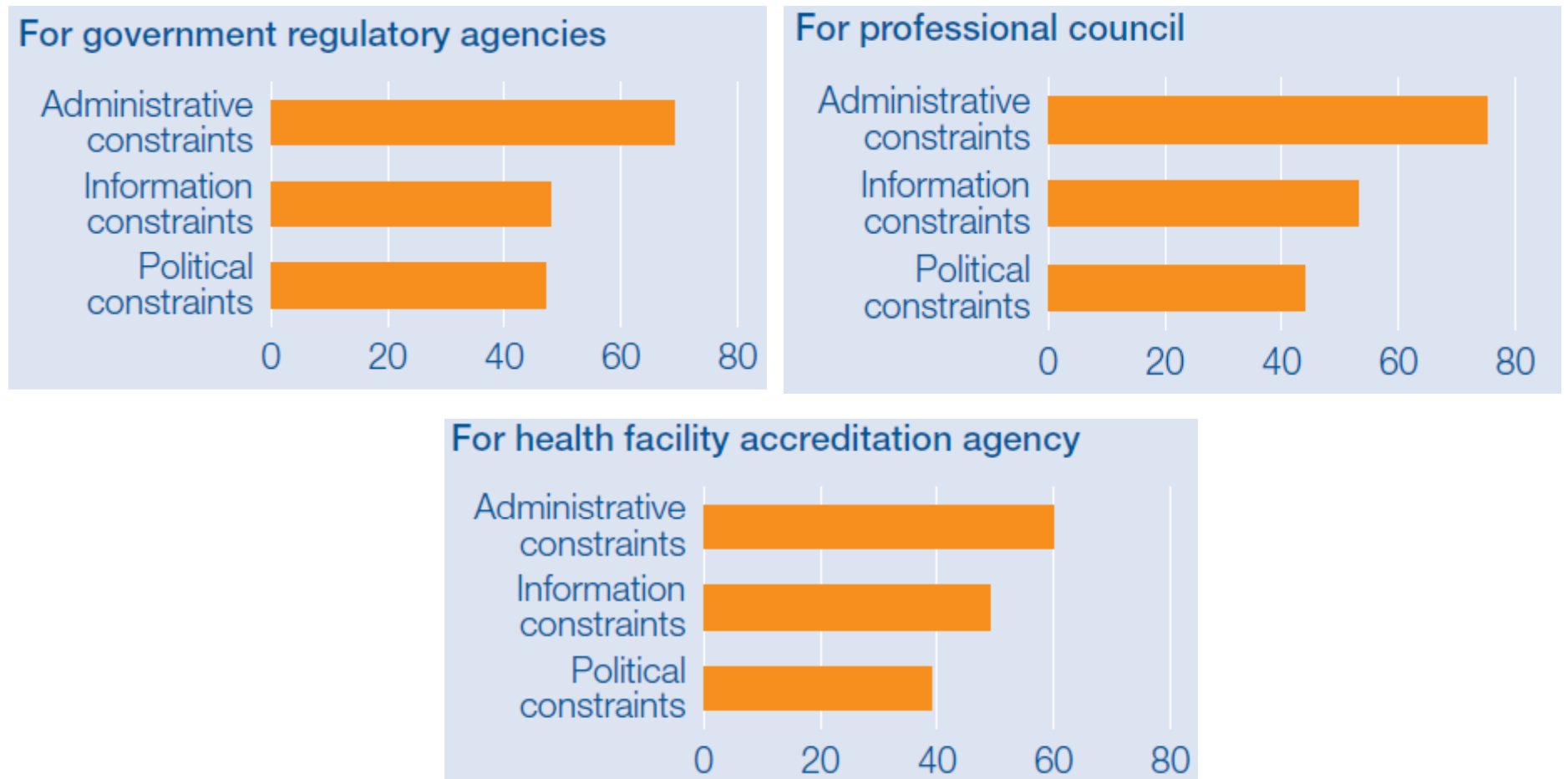
*It's not just about the level of health spending,
but how resources are used*

What can governments do to become better stewards of mixed health systems

- **Regulatory policies** that monitor quality and effectively mitigate the worst health market failures
- **Financing policies** that minimize out-of-pocket payments and increase access by pooling risks across populations with subsidies for the poor
- **Purchasing policies** that create incentives for quality and for delivering high-impact interventions and services to the poor

Many countries report significant barriers to regulation

Percent of countries reporting high levels of constraints



Source: Global survey of regulatory capacities in low and lower-middle income countries, Thai International Health Policy Program 2008

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The values-driven debate on “Which is better – public or private?”

- Differing views:
 - Pro-public
 - Pro-private
 - “The evidence shows no generalisable conclusion” (van der Gaag)
- And the “pragmatic” view:
 - focus on the real practical questions that policy-makers face

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Questions for Today's Discussions

- What are the implications for ... and the future trajectory of ... and the strengths and weaknesses of ...
 - The global health “architecture”?
 - The “new” global health institutions? (Global Fund, GAVI)
 - The country-focused global health initiatives? (IHP, P4H)
 - The “innovative financing” initiatives?
 - Product research and development stimulators (The AMC)
 - Other special purpose vehicles (IFF-Im, Solidarity Tax)
 - The disease-focused Public-Private Partnerships? (TB, Malaria)

Questions for Today's Discussions (Continued)

- How else can and should the private sector contribute to meeting global health needs?
 - In service delivery? And In supplying inputs, training personnel, etc.?
 - Through local enterprises? International firms? Others?
 - Using charity? For profit? Double-bottom-line?
 - Is there still more that partnerships can do?
- How else can aid be improved?
 - Will growth in commitments continue? If not, can decline be mitigated?
 - Can funding be made less volatile and more long-term??
 - Can donor coordination be moved from talk to reality?
 - Will the recent high-level task forces make a difference?
- How will financing needs be met?
 - For service delivery?
 - For the recurrent and investment needs of core health systems
 - For achieving the MDGs?
 - For mitigating the impacts of the crisis?