

THE ROLE OF
PRIVATE SECTOR
IN
HEALTH CARE



SUMMARY OF LANCET PODCAST



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This report summarizes the major arguments put forward by **Richard Lane & Kara Hanson**, Faculty of Public Health, London School of Hygiene and Tropical Medicine. In this podcast produced by the Lancet, they talk of the important role played by the private sector in delivering health care and the strategies countries need to come up to integrate public and private sector to improve accessibility, utilisation and quality of health services.

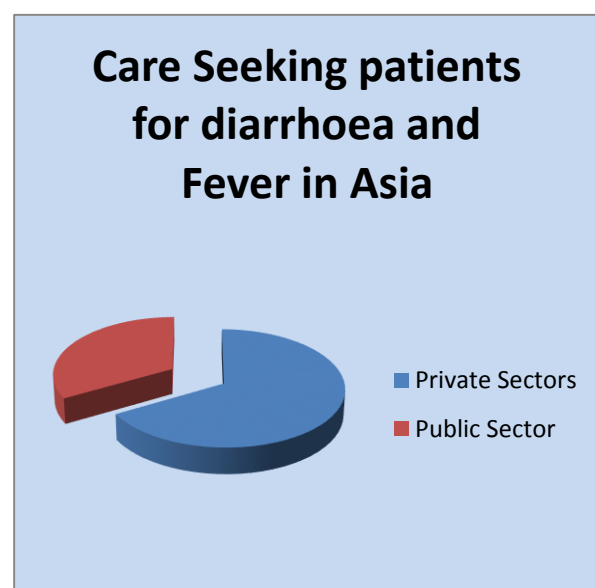
Background

Private health care in low-income and middle-income countries is very extensive and very heterogeneous, ranging from traveling medicine sellers, through millions of independent practitioners, both unlicensed and licensed, to corporate hospital chains operating throughout the country and large private insurers. Private sectors may vary according to countries based upon their size, complexity, profit prioritisation and orientation and can be both NGOs and INGOs. Policies for universal health coverage (UHC) must address this complex private sector. However, no agreed measures exist to assess the scale and scope of the private health sector in these countries, and policy makers tasked with managing and regulating mixed health systems struggle to identify the key features of their private sectors. Although the private sector is an important health-care provider in many low-income and middle-income countries, its role in progress towards universal health coverage varies.

Studies of the performance of the private sector have focused on three main dimensions: quality, equity of access, and efficiency. The characteristics of patients, the structures of both the public and private sectors, and the regulation of the sector influence the types of health services delivered, and outcomes. Combined with characteristics of private providers including their size, objectives, and technical competence the interaction of these factors affects how the sector performs in different contexts. Changing the performance of the private sector will require interventions that target the sector as a whole, rather than individual providers alone. In particular, the performance of the private sector seems to be intrinsically linked to the structure and performance of the public sector, which suggests that deriving population benefit from the private health-care sector requires a regulatory response focused on the health-care sector as a whole.

Private sectors across countries

Private sectors in various countries vary according to the socio economic status of the country. Some private sectors may provide excellent and quality services and others working at the lower end may provide less qualified, insufficient and sometimes dangerous services. Private sectors are important as these providers play a substantial role in dealing with certain disease conditions, including those that are public health priorities. For example, in Nigeria more than 90% of anti-malarial drugs are provided by private sectors and in Asia at least two third of care seeking patients for diarrhoea and fever go to private sectors. Private sectors are known to be used more for maternal and reproductive health services.

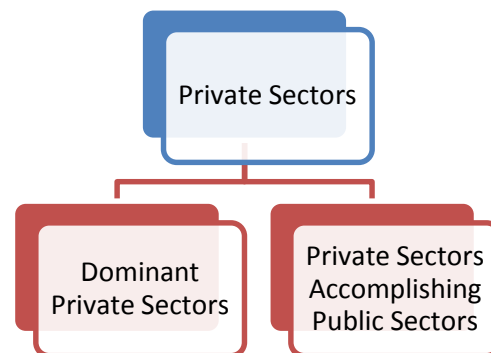


However, one problem with services provided by private sectors is that it is actually very hard to measure. There are no means to accurately measure the service delivery, financing and investments of the private sectors. The central message is that private sectors cannot be understood. The data available from DHS surveys are only on childhood illness and reproductive health services. These data are not standardized and not representative as the studies were carried out in a limited range of countries. The available data do not mention adult health conditions at all. In the low and middle income countries the prevalence of NCD and its burden is rising however there are no data available to estimate the true extent of its impact. Private sectors are going to play an increasing role in the health systems of low and middle income countries in the years to come.

Public and private sectors can work together to improve health care systems in countries. These two sectors need to team up in order to improve access and quality of service to the population as a whole. It is important to establish interlinkages between public and private sectors if we are to move closer to Universal Health Coverage.

Categories of Private Sectors

Private sectors can be found to be of two broad categories:



Dominant Private Sectors: India and Nigeria are examples of countries with dominant private sectors. These countries are characterized by high out of pocket spending. Private sectors are major source of primary and secondary care in these countries. The public sectors in these countries are neither efficient not effective enough to provide quality and accessible services. It is evident that public sectors in these countries are not functioning well enough and there is low investment by the government in health services.

Private sectors in these countries are dominant because of public sectors inability to provide convincing services which causes people to seek private facilities which eventually results in the growth of private sectors. However, for the poor the only service they can afford at the private sectors are those that are cheap and of low quality.

Private Sectors Accomplishing Public Sectors: Thailand and Sri Lanka are two examples of countries where private sectors assist the public sectors. Public spending in these countries is adequate and sufficient enough to provide accessible and reasonable quality services and the private sector adds to this by providing services that may be more comfortable (better facilities in hospitals) or by providing a greater share of primary care services in wealthier income groups.

Private sector's lack of Governance and Accountability

In various countries there are various laws and acts to regulate the activities of the private sectors. Such regulations may involve barriers to enter the health market and laws that control the actions of private health service providers. In UK we can find professional self-regulation acts to control the activities of the private sectors. Despite of many acts and regulations being created, the major challenge in most middle and low income countries is the enforcement of their regulatory systems. These systems may also be underdeveloped or out of date as these may have been designed when the private sector was much smaller. These regulatory frameworks are not suited for pluralistic health systems.

How to engage with private health care sectors?

Regulation is not the only way of dealing with and influencing private sectors. Some other ways of influencing private sectors are:

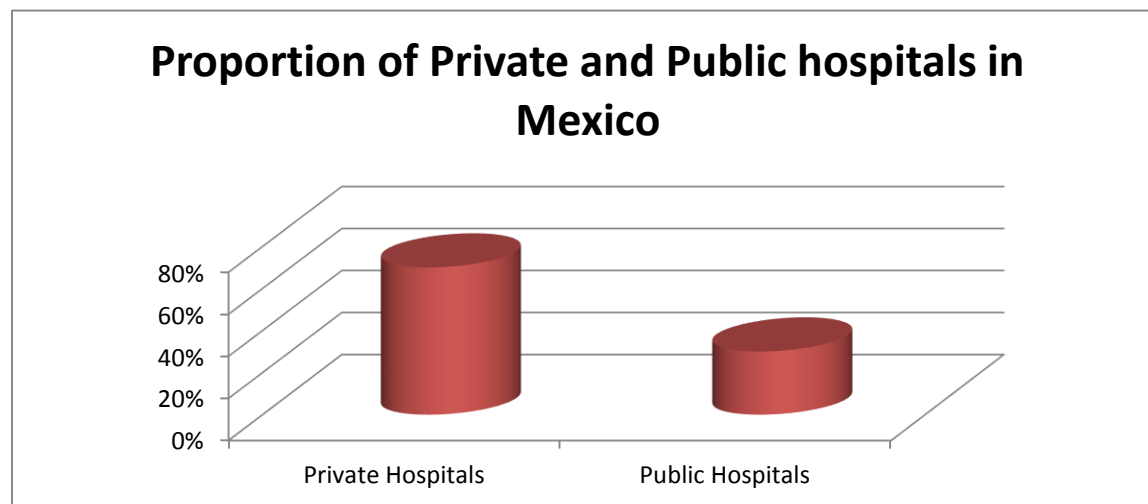


1. **Prohibition:** It involves restriction on actions of the private sectors that are deemed unfavorable. Prohibiting the private sector is very unlikely to succeed, and regulatory approaches face persistent challenges in many low-income and middle-income countries. If actions are restricted private sectors usually continue them in a hidden way making it even hard to regulate their activities.
2. **Constraining:** It involves the use of regulations to guide the activities of the private sectors. Through the use of regulation various activities of the private sector can be constrained that are considered unfavorable by the government.
3. **Encourage or Purchase:** This involves improving the private sector services through subsidizing, giving accreditations and franchising. Due to the ineffectiveness of prohibition and constraining attention has been turned towards interventions that encourage private providers to improve quality and coverage (while advancing their financial interests) such as social marketing, use of vouchers, and contracting.

How public systems can work with private systems?

Many instances are available where public sectors and private sectors work together. Example can include many post conflict settings where public money has been used to effectively contract out the primary health care systems. The public sectors usually contracts with the private sectors (NGOs and Non Profit Organizations) to provide such services. Afghanistan and Cambodia are two examples where donor money has been given out to private sectors to provide health services. In the UK, most health services are funded by the government but the GPs (General practitioners) are self-employed and the facilities are private.

In the OECD countries a wide variety of roles are played by private sector depending upon the country and their socio economic status. In some countries majority of roles are performed by private sectors and in some countries very few roles are performed by the private sector. In Mexico almost 70% of the hospitals are private. The key of integrating public sector with private sector is to use public funds to expand private services. It needs to be well understood that UHC is not achievable without public funding. Private providers must be brought into action through public funds.



Managing the public–private mix to achieve universal health coverage

The private sector has a large and growing role in health systems in low-income and middle-income countries. The goal of universal health coverage provides a renewed focus on taking a system perspective in designing policies to manage the private sector. This perspective requires choosing policies that will contribute to the performance of the system as a whole, rather than of any sector individually. Recognizing that private providers are highly heterogeneous in terms of their size, objectives, and quality, there is a need to explore the types of policy that might respond appropriately to the challenges and opportunities created by four type private provider types: the low-quality, underqualified sector that serves poor people in many countries; not-for-profit providers that operate on a range of scales; formally registered small-to-medium private practices; and the corporate commercial hospital sector, which is growing rapidly and about which little is known.

Managing the public/private mix is likely to be a central element of every government's health policy and management functions. It is, however, a difficult task. It requires, in part, careful thought about the most appropriate instruments of regulation in a particular context and for a particular action and goal. Equally important, however, is the need to think through the strategies that can be used in developing and implementing those instruments. It has been recognized that health policy has been simply concerned with the technical features of policy content, rather than with the processes of putting policy into effect. As a result policy changes have often been implemented ineffectively and expected policy outcomes have not been achieved.

Conclusion

Incentives need to be provided to private sectors to make them operate in an exceptional and extraordinary manner. Private sectors must not be seen in isolation and rather needs to be seen together with public sectors.

Subsidizing private health sector to meet the needs of the people is however not feasible from an UHC perspective. Such basic facilities to the poor needs to be provided by the public sector themselves. There is a substantial commitment required from government and its funding to move closer to UHC. It has been noted that where government is spending at least 5% of their GDP on health, there are affordable services available for the poor that can compete and eradicate low quality services of the private sectors.

It is therefore vital to have a proper public private mix approach to move closer towards the UHC. However the shape of the mix is likely to differ from country to country. For low income countries purchasing of private services with public funds is crucial for achieving UHC. Many middle income countries are already purchasing services from private sectors through pooled funds. It needs to be noted that capacity building of both private and public sectors is important for middle and low income countries to achieve UHC.