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THE
ROCKEFELLER
FOUNDATION



RESULTS FOR DEVELOPMENT

IHPP
Thailand

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The Role of the Private Sector in Health Systems

Challenges

and

Opportunities

The Challenge: Harnessing the Private Sector for the Public Good

THROUGHOUT THE DEVELOPING WORLD, the private sector plays a key role in many aspects of health care. Nevertheless, the impact of private sector activities on health systems has not been sufficiently analyzed. A closer look reveals several major problems common to health systems in the developing world.

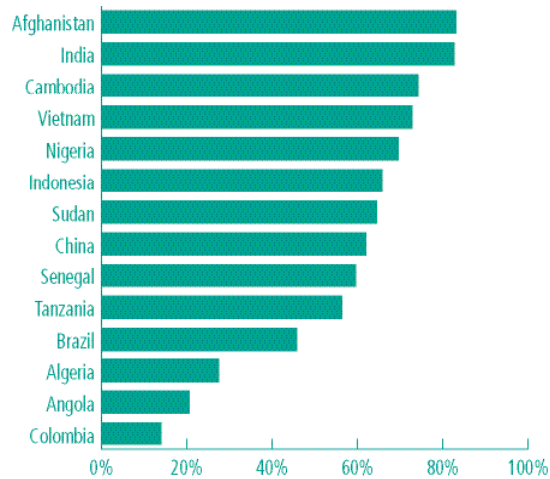
Lack of affordability: In most developing countries, health care is individually funded primarily out-of-pocket. Poor people in these low-income countries often spend money to see private health care providers and purchase drugs from private markets, even when there are public sector alternatives. (See chart below.) In addition, many low-paid public sector doctors also maintain private practices, or charge “under the table” fees for services in public facilities. The strain of out-of-pocket payments frequently leads to situations where the poor either do not get the care they need or become even more impoverished if they do.

Limited availability: In most developing countries, poor people have limited access to hospitals, clinics and other health services. Availability of care is especially problematic in rural areas where there are typically fewer resources. Poor people frequently must travel considerable distances to access health services. Additionally, the number of available public and private medical staff continues to decrease in the poorest countries because it is difficult to make practicing in rural areas attractive enough to health care providers.

Widely uneven quality: In the developing world, services provided by health care practitioners in both the public and private sectors are often of inadequate quality. In the public sector, ministries of health are hampered by limited and inefficiently allocated funding, as well as misaligned incentive structures that fail to promote high performance. Both sectors also lack enforced quality standards for products and services. While governments maintain some oversight of public providers, private provision is largely unmonitored, leading to wide variations in quality.

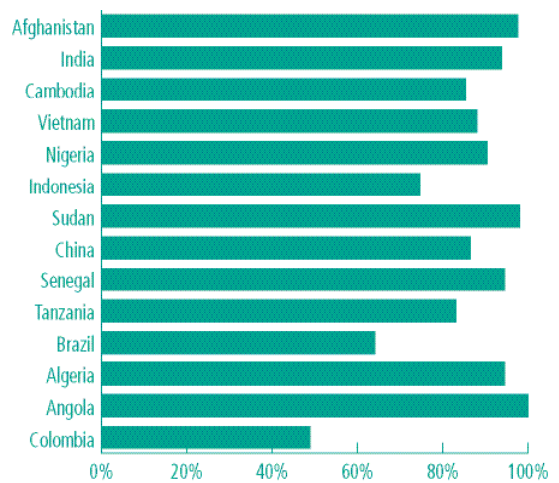
Private Health Spending

Private health spend as percent of total health spend



Source: World Health Organization, National Health Accounts

Out-of-pocket spend as percent of total health spend



The Opportunity: Approaches to Promote Better Health Systems

WE WILL EXPLORE OPPORTUNITIES for improving health systems through a comprehensive analysis of how public and private sectors can work together to improve health outcomes for poor and vulnerable people. Our efforts will focus on several approaches:

Risk-pooling: Programs that allow individuals to prepay for medical services and share risk through public or private health insurance, to provide protection against excessive out-of-pocket costs, and increase access to care. Programs and policies that utilize risk-pooling and prepayment protect individuals from catastrophic expenses, encourage increased use of preventive and curative services, and can provide mechanisms for subsidizing the poorest families.

Provider purchasing and contracting: The interface between public or private health insurance programs and health care providers to align incentives and payment mechanisms with desired outcomes, while establishing and monitoring quality and efficiency targets. Strategic purchasing could significantly improve availability and quality of care through a greater emphasis on measurable results.

Government and self-regulation: Monitoring and enforcement of physician, hospital and medication standards to promote affordable, high-quality care. Better regulatory measures, whether established by governments or self-imposed by professional provider groups, would improve quality by discouraging substandard facilities, unqualified practitioners and questionable medical suppliers.

Innovative service models: Service delivery models incorporating tools such as franchising, social marketing, vouchers and training, which utilize economies of scale, standardization or market incentives to enable rapid-scale-up and consistent quality. Innovative service models could potentially improve quality and access.

Improved product supply chain models: New approaches to procurement and distribution of medical products that reduce costs and increase efficiencies in transport time and reach. Such improvements could reduce costs and increase reliability of product inventories.

What We Are Doing and What We Hope to Achieve

THERE ARE GENUINE OPPORTUNITIES to improve the lives of poor people by leveraging and managing the private sector to improve health systems in developing countries. During 2008, the Rockefeller Foundation, in partnership with the Results for Development Institute and the International Health Policy Program of the Thai Ministry of Public Health, and other partners will attempt to:

Identify opportunities to strengthen existing successful programs, while expanding the currently limited evidence base. We will identify promising models incorporating the private sector (whether implemented by governments or private organizations) that can be enhanced, adapted to other countries or more rigorously evaluated.

Advance thinking on health systems stewardship. We will explore how governments can address private sector players, as well as the appropriate roles of private sector entities within broader health systems. We will also consider how approaches—such as risk-pooling, regulation, purchasing and innovative service models—can be adopted and integrated with each other to improve health systems.

Determine whether there is a need for a shift in thinking regarding the role of the private sector in health systems. We will identify the major barriers to changing policy, practice and funding priorities and explore appropriate options for inviting more attention to private sector issues.

Frequently Asked Questions

Why is this effort being undertaken now?

The current global commitment to health is high and there is renewed interest among donors, politicians and technical experts in building and strengthening health systems. In fact, the historical pendulum between vertical and horizontal approaches is moving back toward a horizontal perspective.

In addition, health spending in developing countries is growing and will continue to grow at a rate slightly higher than GDP growth. Much of this growth is likely to be in the private sector initially. Thus, there is a substantial opportunity to influence the design of future health systems now.

The private sector growth phenomenon is clearly evident in a number of developing countries where overall health expenditure has significantly outpaced GDP growth, and the private sector portion (including out-of-pocket payments) has increased as well.

Haven't others already explored similar approaches? What makes this effort different?

This initiative will incorporate a broad health systems perspective in addressing private sector engagement and government stewardship. Many of the current and previous initiatives addressing the private health sector in developing countries have focused on specific diseases or types of interventions, such as contracting or franchising. In addition, most existing programs as well as research on the private sector tend to focus either on provision of services or on financing. This initiative will consider the possible roles for the government and the private sector in financing and provision.

Is this an attempt to promote privatization of health services in developing countries?

No. While we start with the premise that in many countries the private health sector is a reality that must be addressed, the goal of this initiative is not to promote the privatization of health systems, nor is it to develop new public-private partnerships designed to accomplish relatively narrow goals. Rather, this initiative aims to develop means through which the public and private sectors can work together to address the challenges of affordability, quality and availability of health care.

Who will be involved in this effort?

The effort will be led by the Rockefeller Foundation, the International Health Policy Program within the Thai Ministry of Public Health, and the Results for Development Institute, based in Washington, D.C. A working group comprised of respected public health professionals, donors, NGOs, health ministry staff and private sector representatives will provide guidance to the core group. In addition, the Foundation will seek additional technical partners.

What happens after 2008?

Our work in 2008 is exploratory in nature. A determination of possible next steps will depend on a comprehensive and critical evaluation of this first-year effort. We aim to broaden knowledge and identify and assess potential options for a larger-scale, longer-term initiative. Future efforts might include further knowledge development, specific country-level investments in promising models, and/or mobilization of key partners to build global momentum toward stronger health systems that address the private sector.

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