

Executive Summary

This report presents the Sri Lanka National Health Accounts (SLNHA) preliminary estimates for the period 2003-2004 derived from the IPS Health Economic Unit Database. The previous report contained the SLNHA estimates for 2002-2003. These results contain the estimates of total national health expenditures by source, by function, and on a provider basis. It also provides estimates of expenditure by the Public and Private Sector by source and by function. The report concludes with comparative health expenditures of selected countries, for which data exist.

The expenditures are expressed both in current price terms, and constant price terms. In converting current price aggregates into constant prices, the Central Bank GDP deflator has been used throughout. Estimate of private expenditures are compiled mostly from survey sources.

Trends in Total Expenditure on Health

Total Expenditure on Health (TEH) reached Rs.86.4 billion in 2004 from Rs. 59.5 billion in 2002. In 1990, TEH was Rs.11 billion. Expenditures were 4.1 per cent of GDP in 2004 increasing from 3.8 per cent of GDP in 2002 and in 2003.

Annual growth of Total Health Expenditure (TEH) is 24 per cent in 2004 compared with 14 per cent in 2003. This was mainly due to a 38 per cent increase in centre MOH expenditure from Rs. 18 billion in 2003, to Rs.25 billion in 2004. Relatively, total public expenditure on health increased by 39.7 per cent, from Rs.28 billion in 2003 to Rs.39 billion in 2004. TEH

per capita is estimated at Rs.3,638 or US \$ 38 in 2003 and Rs.4,432 or US \$ 44 in 2004.

Expenditures by Source

In 2003, total public sources of funding accounted for Rs.28.4 billion which is 41 per cent of total financing while the private sources financed Rs.41 billion equivalent to 59 per cent. In 2004, public funds accounted for Rs.39 billion equivalent to 45 per cent of total financing and private sources accounted for Rs.47 billion equivalent to 55 per cent of total financing.

In GDP terms, public sources accounted for 1.7 per cent in 2003 and 1.9 per cent in 2004 while the private sources contributed 2.3 per cent in 2003 and 2.2 per cent in 2004.

Public sources of funds consisted mainly of central government revenues and donor assisted external resources. Other public sources were the President's Fund, Employees' Trust Fund (ETF) and the Provincial Councils' revenues which are insignificant.

Private expenditure funding sources were mostly household out of pocket spending in addition to the private sector employers, commercial health insurance and NGOs' own sources of funding.

Expenditures by Function

Classification of function relates to type of goods and services provided and activities provided within the SLNHA system. Two major categories of spending by function are curative

care by the public sector, and medical goods dispensed in the private sector.

Services of curative care consisting mainly of hospital in-patient care services, hospital out-patient care services and services of rehabilitative care accounted for 49 per cent of total spending, followed by retail sales and medical goods dispensed to out-patients which was 27 per cent and 25 per cent respectively, in 2003 and 2004.

Services of curative care were mostly funded by government sources. Out of the total government spending by function, services of curative care account for 58 per cent in 2003 and 57 per cent in 2004. Share of Preventive and Public Health Services which were also mostly undertaken by the government, accounted for 10 per cent in 2003 and 2004.

Of the Non-government sector spending by function, services of curative care account for 44 per cent in 2003 and 2004. Expenditure on Health Programme Administration and Health Insurance at national level remained at 5 per cent in 2003 and 2004. Share of Capital

Formation of Health Care Provider Institutions at national level increased to 11 per cent in 2004 from 10 per cent in 2003. Government spending on Capital formation increased from 19 per cent of total government expenditure in 2003 to 20 per cent in 2004.

Provincial Expenditures

Share of central government spending at provincial level was in the region of 51 per cent in 2003 and 47 per cent in 2004 of the total government spending for the respective years. Out of the total health spending by government, the share of Provincial Councils was 32 per cent and 30 per cent in 2003 and in 2004, respectively.

Per capita spending gap between the lowest provincial per capita and Western Province per capita is around 36 per cent. Government expenditure by province varies largely between the Western Province and the other provinces. This raises concerns about equity in health care delivery at regional and provincial level.