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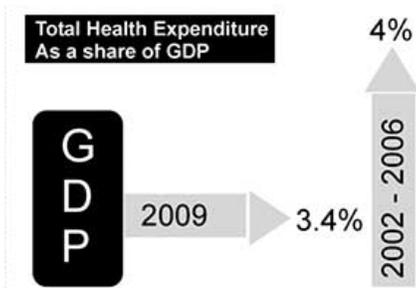
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### Implications of health sector reforms in Sri Lanka

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From the 'Sri Lanka State of the Economy 2015 Report', published by the Institute of Policy Studies of Sri Lanka.

With universal healthcare and a robust public health network across the country, Sri Lanka has made noteworthy achievements in health outcomes compared to other developing countries. Sri Lanka is characteristic of increased life expectancy, reduced maternal and child mortality and decreasing levels of communicable diseases.

While this success is laudable, the country needs to strengthen its existing health system (both public and private) in order to face changes brought on by demographic and epidemiological transitions.

Due to the decline in overall population growth, the percentage of individuals over 60 years in the country is expected to grow at an unprecedented rate to reach 24.8% by 2031. Moreover, there is a shift in the disease burden towards non-communicable diseases (NCDs) such as heart disease, cancer, asthma and diabetes, mirroring that of high GDP countries. In fact, the leading cause of death in Sri Lanka is cardiovascular heart disease. Similarly, due to the increase in per capita income over the years, there is also greater demand for better treatment procedures.

These changes bring a variety of challenges. With regard to healthcare financing, the system will need to take into consideration the higher cost of providing health services for NCDs that require long-term interventions. As the population ages, demand for healthcare will increase and change shape. Also, greater globalization will make Sri Lanka more vulnerable to health epidemics. The health sector needs to strengthen its healthcare organization, provision and regulation not only to deliver services effectively and efficiently, but also to provide quality care and guarantee patient satisfaction.

In this context, this Policy Insight highlights the SOE2015 chapter on "Health Sector Reforms", which discusses possible healthcare reforms to be undertaken in order to cater to population demands successfully.

#### Health Care Financing

The changing demographic and epidemiological transitions as well as higher demand for better treatment procedures bring with it the need to improve Sri Lanka's health financing system. The country's healthcare is currently financed through a combination of tax-financed government expenditure and private payments for care. Public sector funds are channeled through a combination of contributions from the Ministry of Health (MOH), provincial and local governments, other ministries and government entities, the President's Fund and the Employee's Trust fund. The majority of private sector financing sources consists of out-of-pocket expenditure, insurance, NGOs and private employers' arrangements for health expenditure.

It is evident that the private sector has increasingly become prominent in healthcare expenditure. Even though Sri Lanka's disease pattern is moving towards mirroring that of high GDP countries, its healthcare expenditure does not follow suit.

The country's healthcare expenditure is likely to increase in the future specially because of the increase in NCDs and geriatric care and it is imperative to respond to the increase in demand for more expensive treatments.

The critical question is how Sri Lanka can fund an increase in financing. One alternative is to consider increasing taxes on harmful products such as alcohol and tobacco. A second strategy is to implement a social health insurance system. The viability of this option, however, is questionable because a large proportion of employment in the country is within the informal sector, making it difficult to collect premiums. The country should also have a more proactive stance on donations as a third financing strategy. Currently, donations operate on an ad hoc basis, leaving room for untapped potential to be explored.

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## Public Sector Health Reforms

For decades, Sri Lanka has provided free universal healthcare as a national priority, and is one of the few countries to do so.

## Health Care Delivery

However, despite the availability of a comprehensive primary healthcare facility network, a substantial number of patients bypass these and seek treatment at secondary and tertiary health care institutions. The main reason for this is the erroneous belief that the outpatient treatment in secondary and tertiary institutions is superior to those in the periphery. Certain deficiencies in facilities and services in the primary healthcare institutions is another reason. Overcrowding of secondary and tertiary healthcare institutions, a problem which the public health system currently faces, is exacerbated when primary healthcare institutions are bypassed, creating an unnecessary burden on higher level facilities.

Provision of quality public health service has become a priority need, especially in the context of an increasing tendency to invest in quality assurance mechanisms by the private sector. Further, continuous upgrading of the health care delivery system is needed in order to face emerging health challenges (NCDs, accidents and injuries, long-term care, suicides, homicides and other violence) as well as emergency situations (outbreaks of diseases/viruses) and natural disasters.

The macro-organizational structure of the healthcare system affects the efficiency and quality of health services. Therefore, restructuring of the macro-organizational framework to improve efficiency and equity by splitting outpatient and inpatient services, reclassification of existing healthcare institutions, and reallocation of resources in order to enhance equal facilities at outpatient services throughout the country are some of the recommendations to enhance the healthcare service delivery.

## Physical and Human Resource Allocation

An adequate health workforce, which is committed and motivated, and has the required public health and clinical competencies, is seen as a must for the effective functioning of the health system. Despite an increase in the numbers related to human and physical resources the country still lags behind global averages for most of the indicators related to health workforce and infrastructure indicating a dearth of resources in the health sector. Focus should also be given to regional disparities in the distribution of physical and human resources.

## Management and Monitoring

Despite decentralization, the health system is centrally dominated by the Ministry of Health; and since most of the authority lies with the central government, it causes duplication and inefficient use of public resources. In order to rectify this situation the government needs to; clearly define the role and responsibility of the national government; and clarify what is expected of its decentralized units.

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