# Burning health costs for the poor in Sri Lanka

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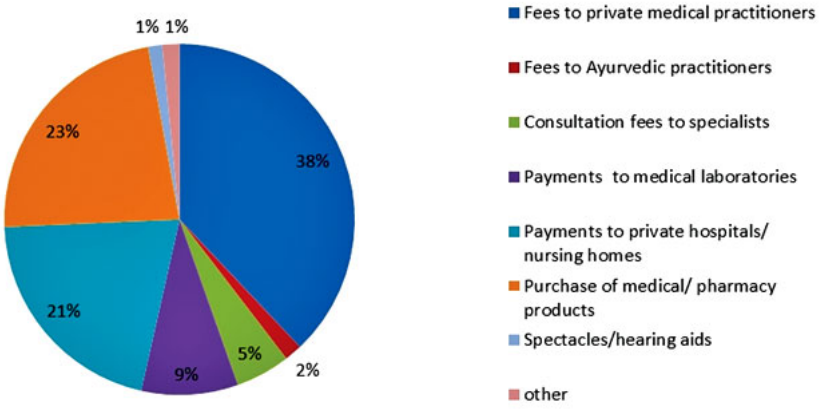
Priyanka Jayawardena (/line/priyanka-jayawardena) Print Edition

**Figure 1: Out-of-Pocket Expenditure on Health**




***Source: Constructed using Household Income and Expenditure Survey (HIES) 2012/13 Data.***

(http://dailynews.lk/sites/default/files/news/2016/11/17/z_pii-Burning1.jpg)

Sri Lanka provides free health care for all citizens, which has been a national priority for decades. With a wide network of health care services, the country's public sector health care delivery system accounts for almost all preventive care and most in-patient care.

While the public health care delivery system is remarkably successful in providing a universal service, there are certain limitations in the system, especially in the provision of curative care such as drug shortages, limited out-patient care services (obtaining appointments before 12.00 noon, longer waiting times, etc.), and limited access to specialist care.

These reasons have created a demand for private sector health care services. The private sector also plays an important role to fill this gap, but it results in out-of-pocket (OOP) expenditure for health care.

Despite the free health care services in the public sector, which include doctors' fees, medicine costs, laboratory tests, and hospital charges, households still spend a considerable amount of money on health. For example, according to the Household Income and Expenditure Survey (HIES) 2012/13, on average, a household spends around Rs. 1,564 per month on health, which accounts for 4% of the household budget.

This health OOP expenditure may be too much for some people and raises concern on the factors that drive these costs in the context of the country's free health care policy. Given this backdrop, the article explores some policy options of the country's health sector.

**What are the driving costs of health OOP?**

Most of the health OOP expenditures are on private doctors' fees. The country's health system allows anyone to directly go to a government or a private dispensary/hospital, or consult a specialist in a private hospital. Despite free health care services, households spend around 38% of the health OOP expenditure on doctors' fees (see Figure 1).

However, specialists' care accounts for only 5% of the households' health spending, which implies that in most cases people need the doctor's basic service, that is available free of charge in all government hospitals. On the other hand, a majority of the private practitioners serve at public sector hospitals during the day.

Then, why do people opt for private consultations? The main reason could be the opportunity cost, as public sector OPD service hours are limited, if they go to a government hospital, they have to take a day off from their workplaces. Therefore, when a family member falls ill, the breadwinner generally prefers to go to a private medical doctor so they do not have to compromise their day-wage. Another reason for seeking a private medical practitioner is the shortage of medicine in government hospitals.

The second largest driver of OOP health care costs is medicine. Households spend around one-fourth of their OOP health spending on medicine, however, many families cannot afford the high rates, especially those undergoing treatment for chronic diseases. Yet, they end up spending a high price on medicine. While one reason for this is seeking health care from private practitioners, the other pertinent reason is the prevailing drug shortages in government hospitals. Due to drug shortages, doctors prescribe medicine to buy from outside and people have to bear the cost. As a result, people opt to go for private practitioners, as they anyway have to bear the medicine cost.

The third highest health OOP expenditure is on hospital charges, which accounts for 21% of health OOP expenditure. However, this cost mostly involves the richest decile people (see Figure 2).

**Burden of health OOP on poor**

It is clear that the private doctor fees and the medicine costs are the main drivers of health costs for lower income groups (see Figure 2). For example, 57% of the health OOP expenses, of the lowest decile households are for doctors' fees followed by 30% of OOP health expenses for medicines. The households that report non-zero private doctor fees spend around Rs.1,500 per month for doctors while households who reported non-zero medicine cost, spend around Rs.1,196 per month for medicine. Are these costs affordable to the poor? More importantly, how have these costs changed over time?

Figure 3 depicts that the inflation-adjusted prices of main health OOP expenditure items medical and pharmaceutical products and hospital fees have increased over the period while private doctor fees remain high but have not varied much during the period.

The high private doctor fees and increasing medicine prices may pose a threat to household welfare, especially for families with patients who need long-term care for Non-Communicable Diseases (NCDs)such as heart diseases and diabetes.

Furthermore, with the growing ageing population and increasing burden of NCDs (15% of the total population receive treatment for any acute illness), which requires a patient to intake medicine for a long period, medical investigations, frequent visits to doctors, will also result in an increase in OOP expenditure in the future.

With the aim of controlling the medicine prices, the present government has taken some initiatives to regulate the prices of medical drugs.

The much-debated National Medicinal Drugs Regulatory Authority Bill was ratified in March 2015. Recently the Government introduced a controlled price for48 essential pharmaceutical drugs based on the new pricing mechanism,Maximum Retail Price (MRP) formula. However, there are many challenges in its implementation such as the cost of imported dugs and availability of good quality drugs.

**Addressing critical concerns**

The burden of health OOP expenditure definitely affects household welfare. With the rising ageing population and the increasing demand for long-term care, the household welfare can be further burdened.

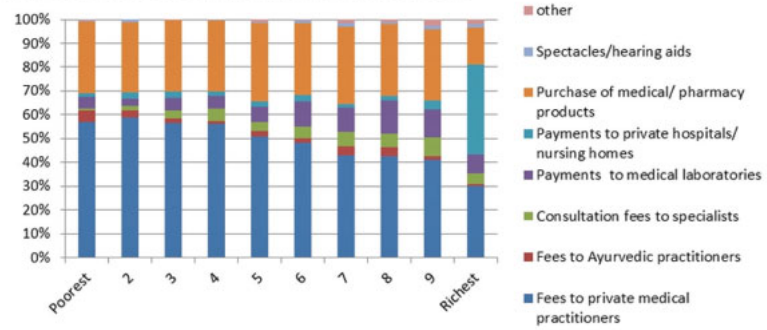
There should be certain price regulations on most essential health care services such as private medical practitioner fees and prices of essential drugs.

It is also important that the Government should take urgent action to smoothen the implementation of the controlled price on essential drugs. With the aim of increasing accountability of private doctor consultations,the government could also consider introducing a government authorised receipt system.

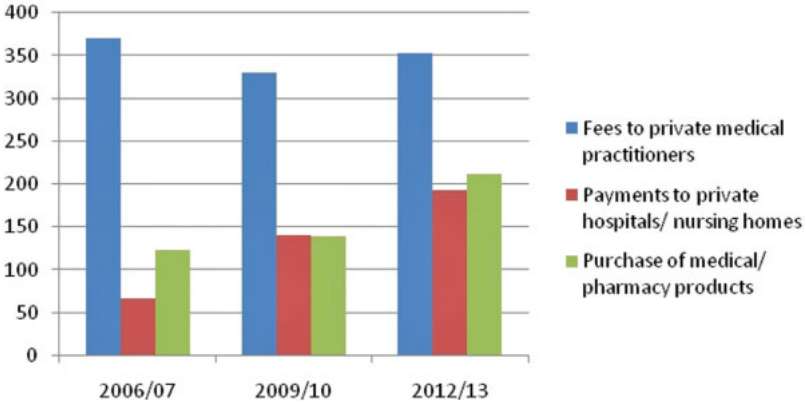
In addition, it is a necessity to improve access to free health care services. The Government should consider expanding out-patient services especially in rural areas giving flexibility for income earners of the family. In addition, it is necessary to take measures to solve the drug shortages in government hospitals.

(The writer is a Research Economist at the Institute of Policy Studies of Sri Lanka (IPS). To view the article online and comment, visit the IPS blog 'Talking Economics' - www.ips.lk/talkingeconomics (http://www.ips.lk/talkingeconomics))

Figure 2: Distribution of Out-of-Pocket Expenditure on Health




*Source: Constructed using Household Income and Expenditure Survey (HIES) 2012/13 data.*



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### Burning health costs for the poor in Sri Lanka (/comment/44241#comment-44241)

Submitted by P. Wijenayake (not verified) on Mon, 11/21/2016 - 07:32

The above feature by Priyanka Jayawardena, illustrates the current health care situation in a nutshell. The proposal to introduce a government authorized receipt system for use by private medical practitioners/specialist consultants/sugeons/anaestetists will make it a transparent transaction. I may also add here to setup a fee structure with item numbers for medical services rendered by the medical practice. This must be based on a recommendation by the GMOA and the Department of Health. The medical practitioner is free to charge whatever fee he wish, but shall issue the patient a receipt for the full amount charged.. However,the patient is only eligible for a refund of the standard recommended fee by the GMOA, depending on their circumstances such as poor / pension card holder. Alternatively, the private practitioner may not charge but he should be entitled to claim direc the standard fee from the Department of Health on a receipt issued with the amount printed with 'No Charge' and countersigned by the patient with details. The receipt is an indication that the cost of treatment has been paid to the medical practice by the government. Patients must demand a receipt for accounting purposes and cash transactions must be totally discouraged. The purpose is to have a system that will not leave room for loopholes to avoid tax. Furthermore, this receipt may be used by the patient to obtain concession on pharmaceutical products and prescription drugs at registered pharmacy.

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