Health Economic Policy Unit
Institute of Policy Studies
of Sri Lanka (IPS)

Health Statistics

Ministry of Health

CENSUS of PRIVATE, CO-OPERATIVE and ESTATE HOSPITALS 2013

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Introduction

Weaknesses in public healthcare, among other reasons, has seen a rise in demand for private healthcare services in Sri Lanka. As a multitude of factors point towards increasing demand for private healthcare, the shortage of skilled professionals in the industry act as a constraining factor in exploiting such demand. The number of medical professionals in Sri Lanka, although progressively higher over the past several decades, is still relatively lower than the number in regional countries. The shortage of medical personnel is more pronounced in private hospitals which are dependent on visiting specialists to attract patients, given the doctor-centric nature of the Sri Lankan healthcare industry. The recently debated burning question as to whether foreign medical specialists have a right to work in the private hospitals in Sri Lanka leaves an open-ended question. According to the Private Hospitals' Association (PHA), this burning issue is now adversely affecting the private health sector by disrupting the clinical activities of the specialist centres of their hospitals.

In the last fifteen years, the major private hospitals invested over Rs.50 billion by way of total expenditure to increase capacity-building within the private healthcare sector by investing in necessary infrastructure, cutting edge technology and continuous development in human capital in the clinical discipline. The centres have created several hundreds of employment opportunities with more than 45,000 servicing the sector directly and over 100,000 indirectly. The centres were set up under Section 17 of the BOI Law of Sri Lanka, and even then, the agreements signed with BOI had no restrictions imposed on the Hospitals on the number of foreign nationals being employed, if the hospital management considered recruitment of such personnel as necessary for the proper and efficient functioning of the business enterprises.

An average of 900 doctors graduate from local medical faculties annually, of which around 70 per cent are absorbed by the government sector, although these doctors are allowed to practise in the private sector subsequent to completing the required number of hours at public hospitals. Empirical evidence indicates that only around 12 per cent of medical graduates are absorbed into the private sector on a full-time basis. Meanwhile, the migration of medical professionals remains high; the IPS estimates that nearly 50 per cent of doctors completing compulsory training in developed countries opt to permanently reside there. This is mainly attributed to the relatively lower salaries paid to public sector medical officers in Sri Lanka. The private sector is also faced with a lack of training opportunities. Nurses and medical officers have significantly fewer opportunities to specialise and pursue postgraduate education, in contrast with government sector personnel.

The limitations of public healthcare, particularly inadequate capacity, limited availability of specialty treatment and disparities in service quality, have provided an impetus for the growth of the private healthcare sector. Whilst demand for private healthcare is expected to be robust over the short to medium term, intensifying competitive pressures has signalled a negative effect of the profitability of players. This is particularly true for the capital Colombo, in which most private healthcare sector operators have consistently expanded room capacity in recent years. IPS survey estimates indicate that the 4 listed operators increased their collective room capacity by around 55 per cent over the last 5 years while maintaining the bed occupancy rate around 80 per cent. However, further increases in room capacity could result in over-supply over the longer term, and price competition among players as a consequence. Given increasing healthcare costs, this

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could put pressure on profitability margins over the medium to long-term.

On the other hand, larger more established players have in recent times sought to strengthen their geographical presence by venturing outside the capital. Operators have also attempted to diversify their revenue sources by providing additional services such as laboratory and pharmaceutical services. It is to be noted that in Colombo, where around 85 per cent of all private sector laboratory tests are performed, 2 private hospitals dominate with an estimated market share of around 45 per cent, which could act as an entry barrier to potential players.

Survey Method

Census of Private, Co-operative and Estate Hospitals is conducted regularly once in two years as a forerunner for IPS National Health Account which completed its fifth series for 2010-2011. The results of this survey are helpful to determine the size of the expenditure by hospital industry providers during a given period of time.

The survey is conducted in three stages. At the first stage, data were collected and reviewed through published documents which included company annual reports, other survey reports such as Household Income and Expenditure Survey (HIES) of Department of Census and Statistics (DCS), Consumer Finance Survey(Central Bank) Demographic Health Survey (DHS) of DCS.

At the second stage, a one page survey instrument was mailed and electronically transferred to the respondents and the third stage consisted of telephone contacts, email reminders and cross-checking with respondents to ascertain the accuracy of information provided. The survey instrument is designed mainly to obtain Revenue, Capital and Recurrent Expendtiure as well as collecting data of In-patient and Out-patient numbers, surgeries, deliveries, bed numbers and the size of the workforce.

List of health institutions registered with the Private Hospital Regulatiory Commissions (PHRC)was used as the basis for this survey and only the institutions that have overnight In-patient facilities were considered for the survey. Out of the total registered number with PHRC only 196 hospitals qualified the criteria adopted and the response rate was 74 per cent.

Highlights During the Period of Coverage

A new provider entered into the private hospital industry in the year 2013 by acquiring St.Peter's Hospital, Ragama by Browns Group (BG) of Companies. BG group is to refurbish the hospital by increasing the bed strength to 75 from the existing 25 at a cost of Rs.1,350 million.

Sri Lanka's private healthcare pioneer Nawaloka Hospital has established a New Organ Transplant Centre, which has already carried out live donor liver and live donor lung transplants locally.

Hemas Hospital launched its Haemodialysis operations - the first such facility in the Gampaha District. The new dialysis centre is equipped with Fresenius 4008 S Hemodialysis systems.

Opened in 2004, the Nawaloka Hospital Fertility Centre has treated over 8,000 clients (4,000 couples) to date, including a large number of overseas clients seeking treatments related to assisted reproductive techniques. The overall success rate of the Centre has already reached the 75 per cent mark, the highest since its inception.

The Board of Investment of Sri Lanka signed an agreement with Singapore Dialysis Medical Group (Private) Limited, to develop and operate a specialized hospital for kidney dialysis. The Project with an estimated investment value of US$ 1.5 million, will be located in Kohuwala and create employment opportunities for 30 local and 7 foreign staff.

Hemas Hospital opened its third medical facility with 50 beds in Thalawathugoda which was built with an investment of Rs. 1.4 billion.

The Health Ministry and the GMOA have pointed to the government the danger involved in the patient care at private hospitals due to non-maintenance of a specialist register.

Asiri Hospital has established a CSR initiative Asiri Surgical Free Medical Care Project that selects needy children for free medical emergencies and surgeries. This initiative has, since its commencement in 2010, performed over 40 heart surgeries on children.

Analysis

1. Number of Institutions

A total number of 145 private hospitals were actively in operation as against 200 registered private facilities with Private Hospital Regulatory Commission.

Table 1: Number of Private Hospitals by Province

Province	Number of Private Hospitals								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Western	46	46	47	53	54	58	60	63	65
Southern	7	7	7	7	9	10	10	11	12
Central	6	6	6	6	6	7	7	9	15
Eastern	4	4	4	6	6	6	7	10	14
Northern	1	1	1	1	1	5	8	10	11
N.Western	6	6	6	8	8	8	9	10	12
N.Central	0	0	0	0	0	1	1	3	4
Uva	1	1	1	1	1	2	3	3	5
Sabaragamuwa	5	5	5	5	5	5	5	6	7
Total	76	76	77	87	90	102	107	125	145

Source: Private Hospital Data Base, IPS.

In addition, another 10 Co-operative hospitals are operating in the island. Out of the 145 private hospitals, 65 hospitals (45 per cent) are located in the Western Province. 20 new hospitals came into operation in the year 2013 spread out in the locations in Gampaha (4), Colombo (1), Galle (1), Kandy (2), Badulla (1), Monaragala (1), Nuwara Eliya (2), Matale (2), Batticaloa (4), Ratnapura (1), Jaffna (1). The most important feature of these developments is that the establishment of private hospitals which is concentrated in highly populated capital cities has started a strategic move to open up hospitals in the outskirts which includes opening of branch centres outside the capital. This could be the result of stiff competition that prevails among private hospitals in Colombo, Kandy and other cities. Shortcomings that prevail in public hospitals as well as the demand by the patients in distant areas also has contributed to this development. There are unconfirmed reports that medical graduates who have completed their internship and awaiting government appointments are employed in most of the hospitals in the outskirts. Most of the private facilities mainly located in Colombo are continuing to invest hugely to upgrade their facilities including the introduction of state-of-the art bio-engineering medical equipment.

2. Co-operative Hospitals

The Co-operative hospitals that have been in existence for the last two decades continue their operations in a dire state due to financial constraints. Manned by retired government doctors, these hospitals lack the sophistication of state-of-the art private facilities. Patronised by the patients of lower middle class and below, most of these hospitals operate on bank overdrafts due to the working capital problems. Co-operative hospitals are operating as pro-poor fee levying hospitals and the charges levied for treatment of patients are very much lower than the charges of private hospitals. Amidst these situations, Co-operative health facilities in Kurunegala, Gampaha and Galle have moved to new buildings.

Out of 10 Co-operative hospitals, those in Galle, Kurunegala, and Gampaha maintain a bed strength of 100 each while Chullipuram facility in Jaffna and the facility at Grand Pass, Colombo maintain a 50 bed strength each.

Reported bed strength of these hospitals reached 450 bed numbers in 2013 as against 370 in 2011. It has been reported that the average bed occupancy rate is 74 per cent while the duration of stay is a maximum of 3 days. In these hospitals complex cases are referred to the nearest government hospital.

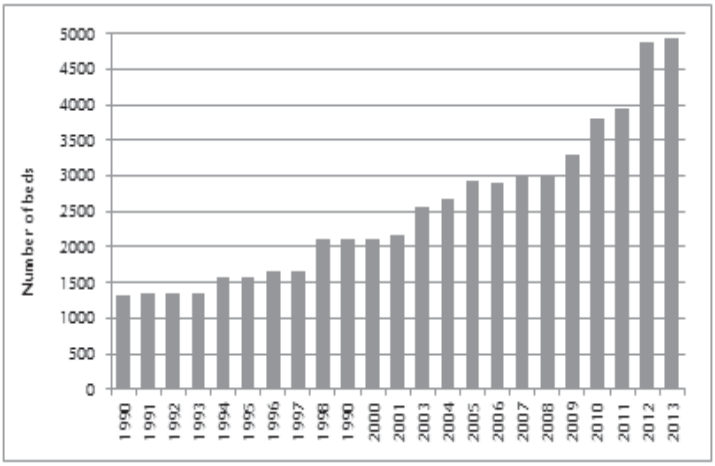
In 2013 there had been 247,089 out-patients as against 231,451 reported in 2011. As for the in-patients, there had been 9,501 In-patients as against 8,489 recorded in 2011. Health care seekers from these institutions are a different segment of population consisting of lower middle class and below. They seek treatment from these hospitals as an alternative to the government facilities but unaffordable to visit private facilities. Thereby it is reasonable to admit that the health seeking trend in Co-operative hospitals could further increase in future years.

Colombo, Gampaha, Kuunegala, and Attanagalla hospitals are equipped with CT scan facilities.

3. Private Hospitals

Number of beds available in private hospitals have increased to 4,923 in 2013 as against the reported 3,648 bed numbers in 2011. The addition of around 700 beds was mainly due to the establishment of 20 new private hospitals during the past 2 year period and expansion of existing hospitals mainly in Colombo city. The Figure 1 given below indicates the growth of the bed strength in private hospitals during the period of 1990-2013. A rapid increase in bed numbers could be seen after the end of the war in 2009 as more private hospitals came into operation in Northern and Eastern area.

Figure 1: Growth of Number of Beds in Private Hospital Beds 1990-2013

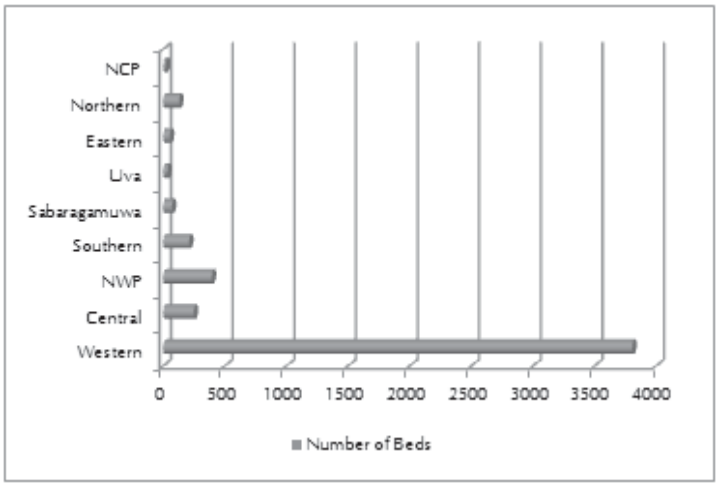


Source: Private Hospital Data Base, IPS.

Out of the total number of private hospital beds, 77 per cent of hospital beds are skewed towards the Western Province. In Colombo District alone there are 2955 beds which is 61 per cent of the total private hospital bed strength of the country.

Distribution of Hospital Beds by Province is given in Figure 2 below.

Figure 2: Distribution of Hospital Beds by Province 2013



Source: Private Hospital Data Base, IPS.

Table 2: Mean Number of Beds in Private Hospitals

	2009	2010	2011	2012
Mean Bed per Hospital	37	39	34	34
Total Hospitals	90	90	107	145
Total Beds in Hospitals	3301	3517	3648	4923

Source: Private Hospital Data Base, IPS.

4. Bed Turnover Rate

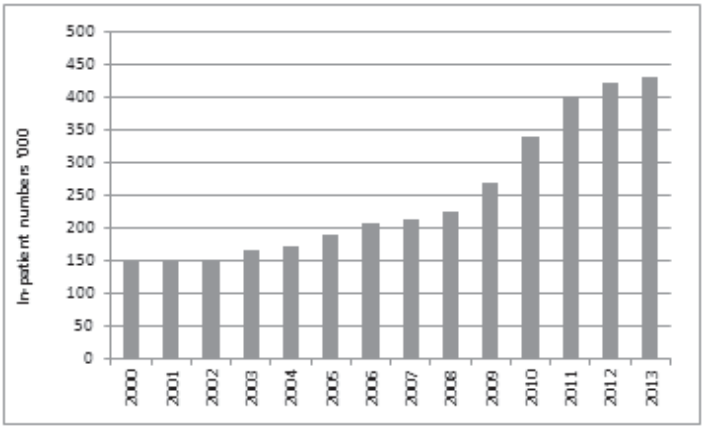
Bed turnover rate is the number of patients per hospital bed at any given period of time which indicate the demand for hospital beds within the same duration. The reported data reveals that the average all-island bed turnover rate has decreased to 72 in 2013 from 83 in 2011. But in Colombo district hospitals the rate has increased to 84 in 2013. Average duration of stay is recorded as 3.75 while the overall bed occupancy rate indicates 76. The average duration of stay varies with type of hospital, the type of Illness and the cost factor.

5. In-Patient Admissions

Reported total number of In-patients admitted for treatment in private hospitals in 2013 was 431,008 patients against 401,000 reported in 2011. The Increased number in 2013 is insignificant compared to the number reported in 2010 which was 221,000. The primary reason for the slow growth could be that patients seeking treatment from private hospitals has reached saturation point compared to the numbers admitted to these hospitals in previous years before 2011. The most noteworthy trend was in 2011, which reported that out of total admissions, 75 per cent was from the hospitals located in the Western Province, which was reduced to 46 per cent in 2013. Main reason for this change is the establishment of new private facilities outside the Western Province. Stiff competition between the private providers to increase their market share with the price competition among themselves has created a near freezing position for the demands for the treatment which reflected in saturating trend during past years.

Estimated ratio of In-patient admission in private facilities is 2 per 1000 population in 2003 in comparison to the public hospitals admissions ratio of 26 per 1000 population.

Figure 3: In-Patients Treated in Private Hospitals 2000-2013



Source: Private Hospital Data Base, IPS.

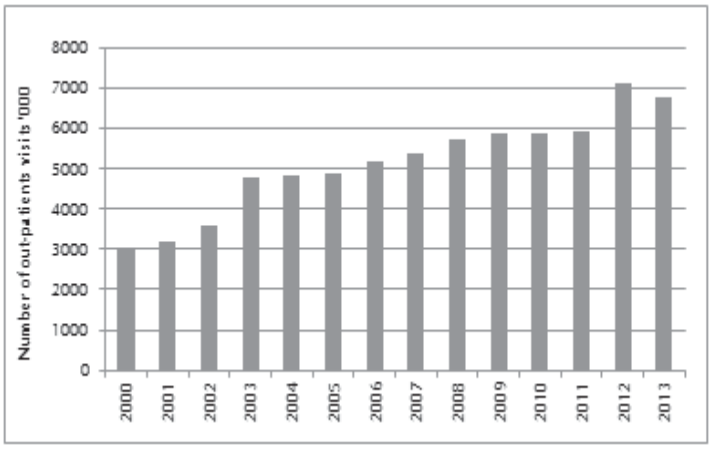
6. Leading Causes of Hospitalisation

Leading causes of hospitalization varies from district to district but as reported, traumatic injuries have remained the leading cause of hospitalisation in most of the hospitals. Diseases of the respiratory system ranks next followed by hypertensive diseases, and diseases of the gastrointestinal tract. These diseases are related mostly to the older age, but only those affordable in the financially sound sector has the privilege to seek treatment from private facilities. Known as Non Communicable Diseases (NCD) these will become leading causes of illness in time to come posing a huge challenge to public facilities. Hospitalisation due to viral diseases has becomes common in almost all hospitals.

7. Out-Patient Visits

Out-patient visits in 2013 is reported as 6,765,000 as against 5,839,000 recorded in 2011. This gives a ratio of 34 visits per 1000 population. Estimated ratio for public hospitals is 225 for 1000 population in 2013.

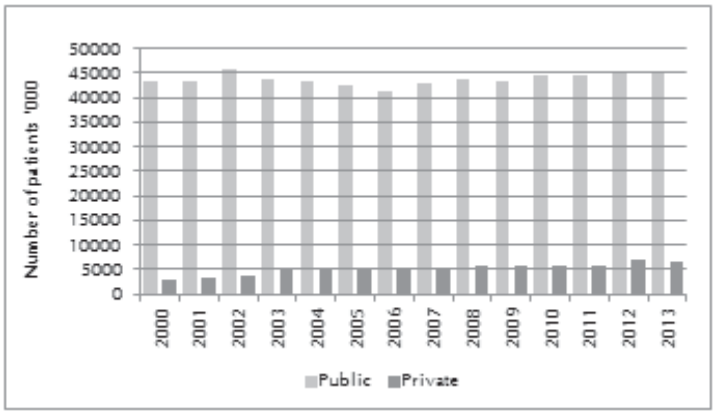
Figure 4: Out-Patient Visits in Private Hospitals 2000-2013



Source: Private Hospital Data Base, IPS.

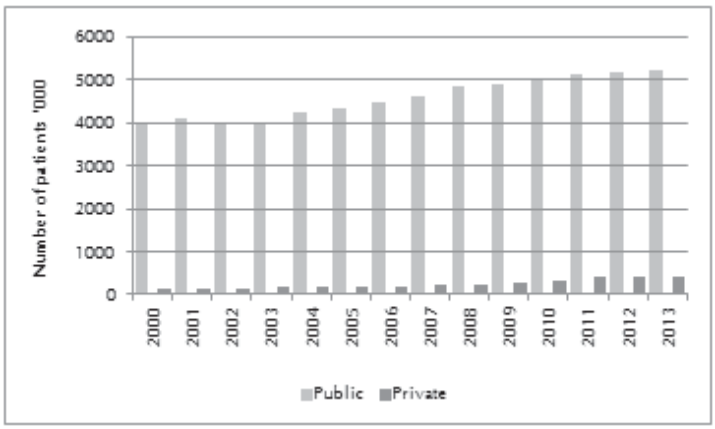
8. Some Comparison of Private and Public Health Care Delivery (In-Patients and Out-Patients)

Figure 5: OPD Treatment by Public and Private Facilities 2000-2013



Source: Private Hospital Data Base, IPS.

Figure 6: In-Patient Care by Public and Private Facilities 2000-2013



Source: Private Hospital Data Base, IPS.

The above figures indicate that in 2013 out of the total number of Out-patients treated, private hospitals account for 13 per cent, while In -patient admissions account for 6.7 per cent of all admissions.

9. Findings of the Household Income and Expenditure Survey 2012 by DCS

Table 3: Reasons for Visiting Private Hospitals as Out-Patients (%)

	Treatment for Illness	Treatment for Injury	Medical Tests/ Consultation	Preventive Injections	Infec-tions	Other
Sri Lanka	85.6	4.0	6.4	0.8	0.6	2.5
Urban	86.6	2.8	8.4	0.7	-	1.6
Rural	85.2	4.3	6.2	0.9	0.7	2.8
Estate	92.0	3.7	1.7	0.9	0.2	1.5

Source: Household Income and Expenditure Survey 2012 DCS.

Table 4: Reasons for Admissions in Private Hospitals as In-Patients (%)

	Treatment for Illness	Treatment for Wounds/ Fractures	Operation/ Surgery	Child Delivery	Infec-tions	Accident & Other
Sri Lanka	61.4	6.1	14.7	7.6	0.7	9.6
Urban	61.6	5.5	19.9	7.6	-	7.6
Rural	61.2	6.1	13.5	6.0	0.7	9.6
Estate	68.3	13.5	18.1	8.0	-	7.8

Source: Household Income and Expenditure Survey 2012 DCS.

10. Health Workforce

The workforce in private hospitals in 2013 is estimated at 45,000 as directly employed while around 100,000 are indirectly employed. The survey data indicates that 1,900 government doctors are working part-time. In almost all private hospitals, at least one house officer is available on shift basis for 24 hour service.In co-operative hospitals, retired government doctors serve as house officers. In these hospitals a fewer number of government doctors are working part-time.

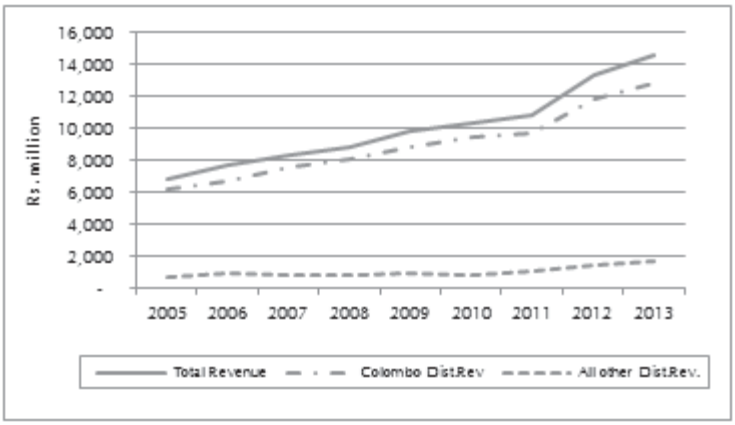
Many hospitals in Colombo and in outstations have commenced their own nurses training programmes.

11. Private Hospital Revenue and Capital Expenditure

As per the revenue trends of private hospitals, the 4 listed private hospitals have continued to record healthy top-line growth over the last five years. Given the faster expansion of its hospital portfolio, Asiri Hospitals recorded a relatively strong compound annual revenue growth of around 25 per cent in the period from 2007 to 2012, whilst that of other players was around 13 per cent to 16 per cent. The revenue trends are reflective of increasing patient volumes against a backdrop of rising demand for private healthcare. Financial risk assessment includes the evaluation of the healthcare providers' capital structure, leverage, cash flow adequacy and financial flexibility. Despite the capital intensive nature of the business, the majority of players assessed have moderate gearing levels. Healthy profitability coupled with relatively good profit retention has enabled these hospitals to generate capital internally. These industry players maintain a strong and healthy cash flow generation as debt protection. In terms of financial flexibility, whilst debt financing through banks is a viable option for larger, more established players, the lack of funding avenues continues to be a constraining factor for smaller hospital operators.

Figure 7 below provides the reported revenue of private hospitals for the period 2005-2013.

Figure 7: Private Hospital Revenue 2005-2013



Source: Private Hospital Data Base, IPS.

During the year 2013, it is reported that private hospital providers have invested around Rs.5 billion in infrastructure development including procurement of lands for expansion projects in addition to investment on procurement of bio-technical equipment and modernization of existing hospitals.

12. Conclusion

The Private hospital survey indicates that In-Patient admissions and Out-Patient visits have reached saturated levels (Figure 3 & 4) in 2013 indicating a possible constraint in ability to pay for treatment by the patients. On average, to consult a physician for OPD treatment, a patient needs to pay a minimum of Rs.1,000 depending on the hospital. In addition to costs, it involves the procurement of prescribed medicine, laboratory tests and other ancillary services. As there is no restriction in cost of medicine and other medical goods, the Household Income and Expenditure Survey of 2012 estimated that around 7 per cent of household monthly income is being spent to purchase health care. Under these circumstances, delaying of the introduction of a new Medicinal Drug Policy, and caps on user fees in private hospitals are road blocks for the health well-being of the people who seek private health facilities for their health needs as an alternative for public hospitals that operate far from satisfaction.

As an end note it is worthy to make some assertion about the mushrooming channel centres all over the country. Channel Centres were established to assist patients in outskirts to obtain prior appointment for consultation with the doctors in hospitals of their choice. In general, they provide an important ancilliary function to the state medical sector where those who could pay could obtain the services of their preferred consultants. The survey results and the documents reviewed also indicate that most of the channelling centres are located in unhygienic and dilapidated buildings.

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3. Annual Health Bulletin - 2008, Department of Health Services, Sri Lanka.
4. Sri Lanka National Health Account database IPS.

Glossary

Co-operative Hospital: A hospital that is managed by the elected officials from the community in an administrative area identified by the Commissioner General of Co-operative Development.

Estate Hospital: A hospital that treats patients from a particular estate it serves. Treatment is done by an estate medical officer.

Paramedical Staff: Professions closely linked to the medical profession and working in conjunction with them. Paramedical personnel in a hospital include the Pharmacists, Medical Laboratory Technicians, Radiographers, Physiotherapists, Dietitians and ECG recordists (Oxford Medical Dictionary).

Acronyms

DCS: Department of Census and Statistics

IPS: Institute of Policy Studies of Sri Lanka

MoH: Ministry of Health

End Notes

In this study, hospitals and nursing homes are defined as 'institutions'. The definition does not include small scale dispensaries and medical centres.

Contact Information

For further information on this survey, please contact IPS (Tel: 011-2143327, Email: health@ips.lk). Please note that in order to preserve respondent confidentiality, information pertaining to individual hospital is not available for release.

Any suggestions for improvement of the survey design and this report are welcome, and should be directed to the person indicated.

To receive this publication regularly, contact the Health Economics Policy Unit by calling on +94-11-2143327 or e-mail to health@ips.lk.

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Institute of Policy Studies of Sri Lanka
100/20, Independence Avenue,
Colombo 7
Sri Lanka.
Telephone +94-11-2143100
Facsimile: +94-11-2665065
E-mail: health@ips.lk
Website: www.ips.lk/health
Blog: 'Talking Economics' - http://ipslk.blogspot.com
Twitter: www.twitter.com/TalkEconomicsSL