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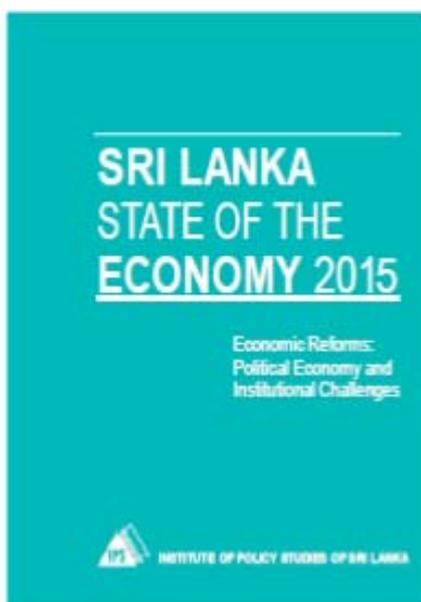
# POLICYINSIGHTS

INSTITUTE OF POLICY STUDIES OF SRI LANKA

## HEALTH SECTOR REFORMS

*From the IPS Flagship Publication*

*'Sri Lanka: State of the Economy 2015 Report'*



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 health care 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 SOE 2015 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 health care is currently financed through a combination of tax-financed government expenditure and private payments for care.

**“Sri Lanka would need to bear a larger burden financially if it is to provide health care services that would adequately cater to the changing demographic and disease patterns.”**

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 health care 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.

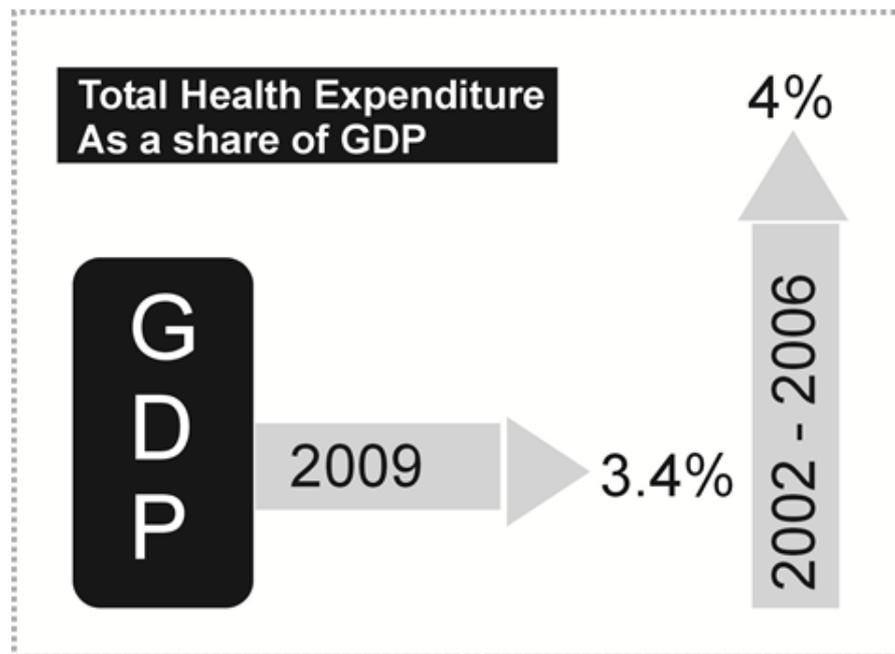
The critical question is how Sri Lanka can fund an increase in financing. One alternative is to consider increasing taxes on harmful products such as alcohol and tobacco. A second strategy is to implement a social health insurance system. The viability of this option, however, is questionable because 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.

### 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

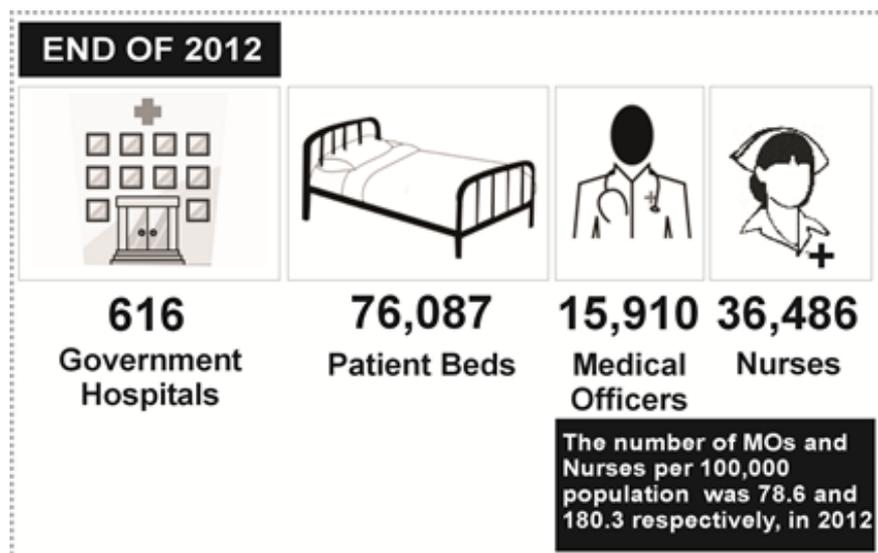


periphery. Certain deficiencies in facilities and services in the primary healthcare institutions is another reason. Overcrowding of secondary and tertiary healthcare institutions, a problem which the public health system currently faces, is exacerbated when primary health care institutions are bypassed, 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 health care 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.

**“A well-planned referral system for health care delivery is needed in reducing the unnecessary cost burden on the secondary and tertiary health.”**



### 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.

### Public Health Sector 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.

### Private Sector Health Care Reforms

During the past two decades the private sector has grown rapidly, with expansions in hospitals, laboratories and clinics. Over

100 private hospitals, with investments of over Rs. 50 billion, entered the healthcare sector during 1990 -2013. The demand for private sector healthcare has increased rapidly due to reasons ranging from improvements and investments in health technology in the private sector, and poor public sector performance.

### Provision of Health Services

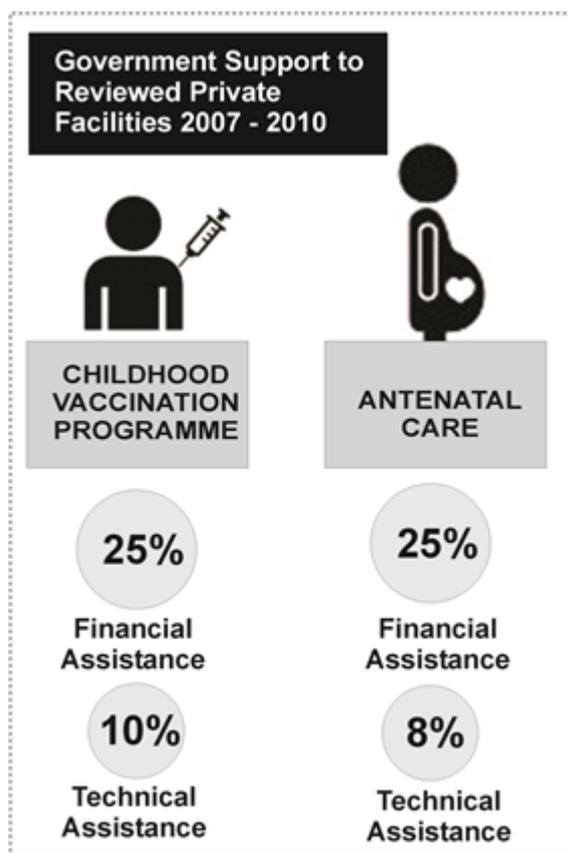
Sri Lanka's private healthcare sector is predominantly engaged in providing curative care services such as laboratory tests, medication, surgeries, and nursing care. Moreover, private facilities are disproportionately concentrated in the Western Province in urban or semi-urban areas due to its higher income level and population density.

It is always the poorest (in rural areas) that suffer most from the limitations (limited curative care, drugs shortages, limited availability of specialty treatment) of the public sector. Even though the private sector is able to compensate for these limitations, it is evident that the supply of private facilities does not necessarily expand reach of health services. To overcome the drawbacks in each sector independently, public-private partnerships (PPPs) can be considered a solution.

### A Role for Public-Private Partnerships

Public-private partnerships in the healthcare sector in Sri Lanka are minimal. It is counter-

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patient needs, values and choices in the service delivery system. Regular evaluation of patient satisfaction by conducting surveys is a step in this direction. It will also signal to the consumer that their considerations are taken into account and that the private sector is committed to ensuring value for money for the services they provide.

### Regulation

Private sector regulation reform is of utmost importance due its current lack of effectiveness. The regulatory council, Private Health Services Regulatory Council (PHSRC), is independent of the MOH. Returning the regulatory functions back to the MOH (as is the case in other countries with similar backgrounds) is an option that needs to be considered. Alternatively, the

intuitive for the two sectors to operate independently.

One option for the public - private collaboration is for the government to contract with private providers to deliver health services in remote areas. A second option is to implement demand-led financing strategies such as vouchers; the government provides a demand side subsidy to ensure that private health services are more affordable to vulnerable groups. It is important to note that implementing such options requires an increase in public sector financing.

### Incorporating Elements of Patient Centered Care

At present, Sri Lanka's private sector is doctor-centric. Patient centered care requires acknowledging and incorporating

effectiveness of the PHSRC needs to be reinforced by limiting private sector provider representation, and training and strengthening the regulatory capacity of officers in charge.

***With the demographic and epidemiological transitions, the organization, delivery and regulation of Sri Lanka's health sector needs to be strengthened. Greater resources need to be brought to increase efficiency and effectiveness, and ensure consumer satisfaction. Further, greater inter-sectoral collaboration is needed to face imminent health challenges effectively as important influences that affect the health of the population are sometimes outside the health sector.***

**“Public-private collaborations will help alleviate capacity constraints; improve equity and efficiency due to synergies between public and private sectors through pooling of resources such as funds and technology; improve access and reach of health care services for the population; and strengthen regulation of quality within the health sector.”**



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This policy insight is based on the comprehensive chapter on "Health Sector Reforms" in the 'Sri Lanka: State of the Economy 2015 Report' (SOE 2015). The State of the Economy Report is the flagship publication of the Institute of Policy Studies of Sri Lanka. The complete report can be purchased from the publications section of the IPS, located at 100/20, Independence Avenue, Colombo 7. For more information, contact the Publications Unit on 0112143100.