What Health Care Financing Options Does Sri Lanka Have?

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28 February, 2005

Outline

- Back to the future
- Do we need more funding?
- How well does our system do?
- Funding options
- Thoughts for the future

Perennial question since 1930s

- Post-1931
  - Taxation
  - Expansion of free medical services to rural areas
- 1948 Social Services Commission
  - Jennings: ‘MOH hospitals make redundant need for insurance’
- 1980 Brian Abel-Smith Report to Cabinet
  - ‘System is basically sound - no better alternative to tax-funding’

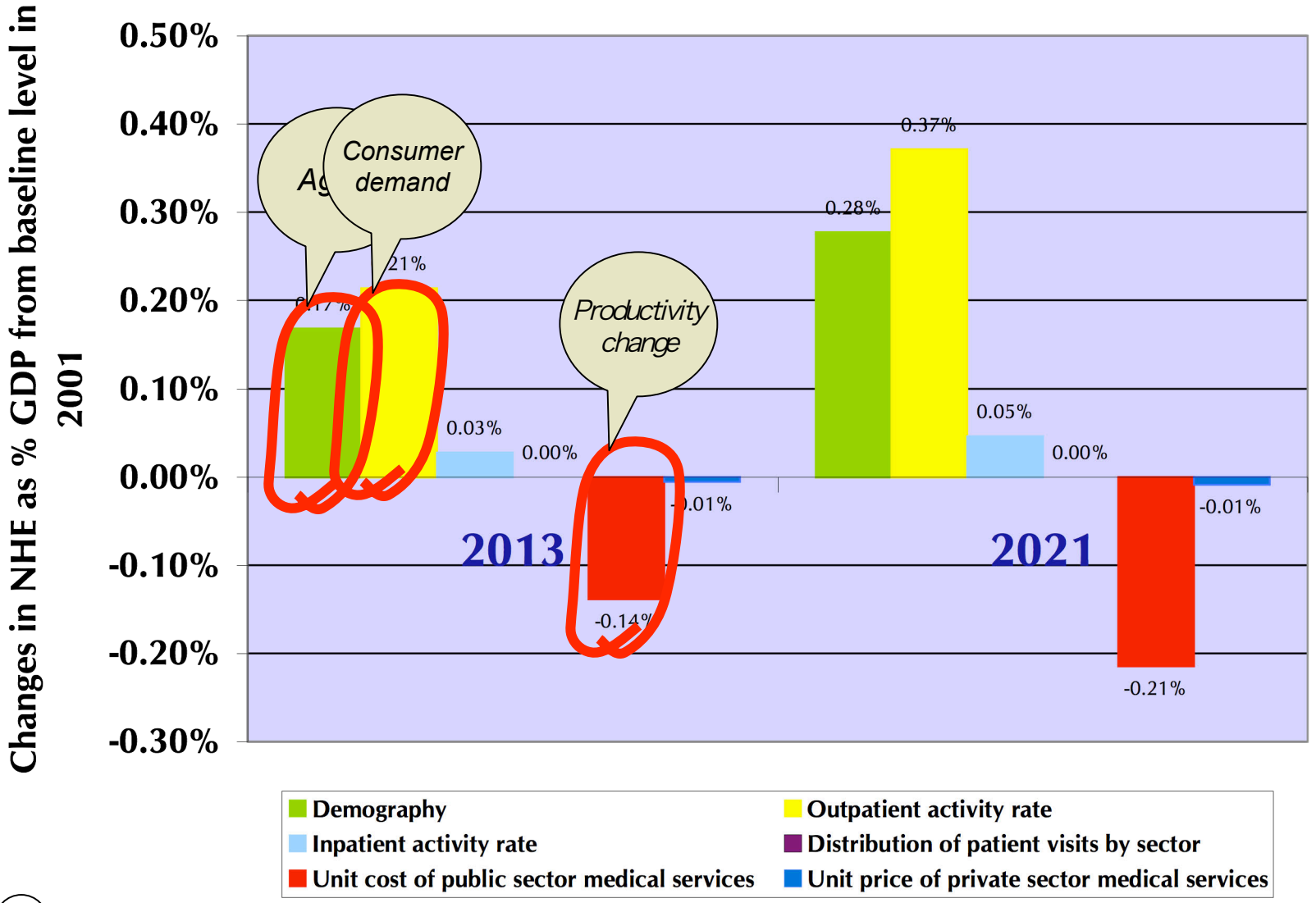
Perennial question since 1930s

- 2000 Hsiao Report
  - Sponsors: PTF, World Bank, GoJ for MOH
  - 'System is efficient, equitable: needs more public funding, either *tax funding*, or *social insurance*'
- 2002-2004 JICA Master Health Plan/World Bank PHRD studies
  - 'System needs more public funding'

Will the cost of health services increase because of aging?

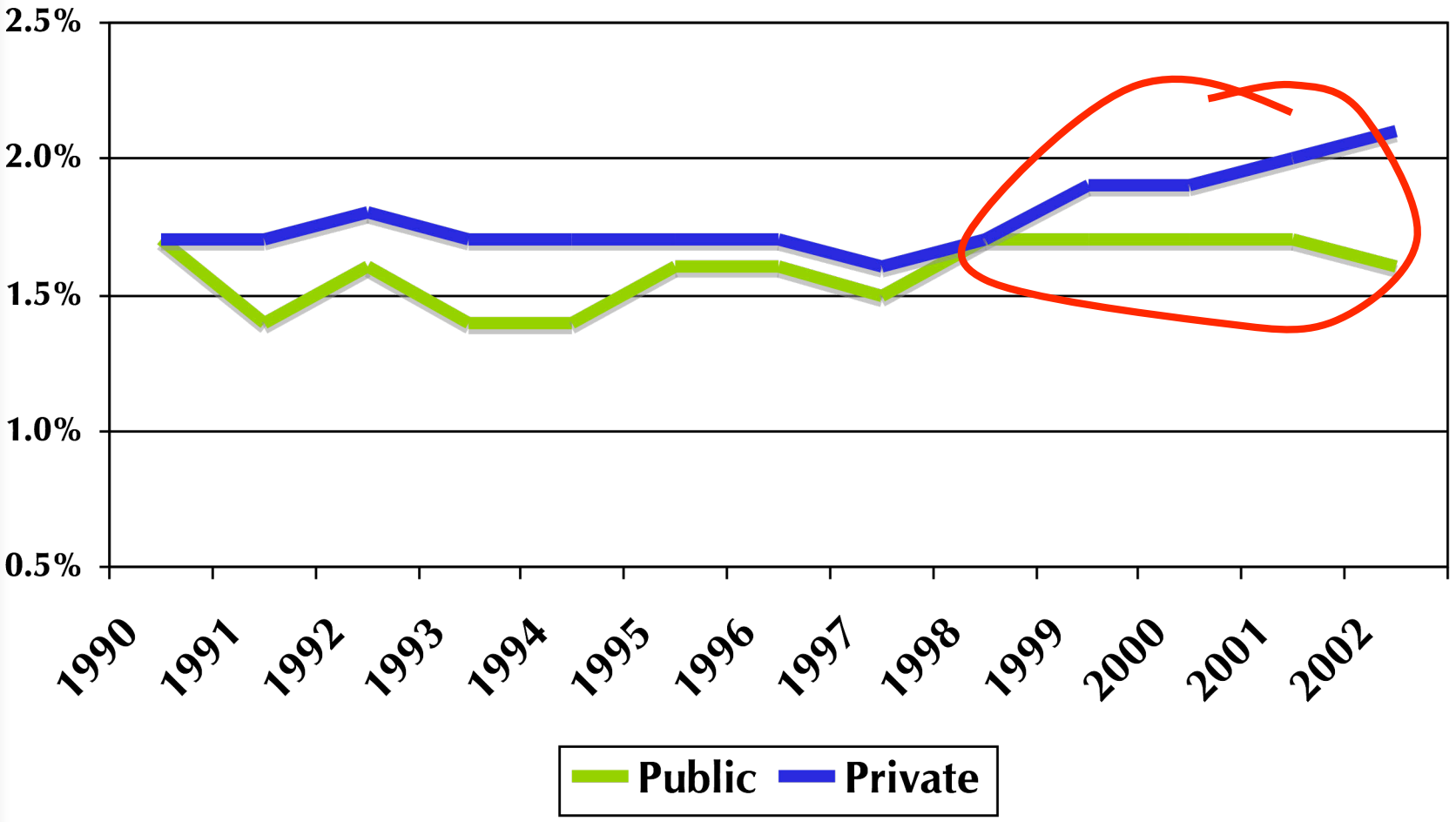
- No, but …..
  - Ageing exaggerated as cause of increased costs
  - Not expected to be the case in oldest countries (UK, Japan, USA, Germany)
  - Other cost drivers: productivity, changing patient behavior, consumer expectations, technology, medical inflation

Cost drivers, Sri Lanka 2001-2021



Source: Cost projections from MOH PHRD and Harvard NIA studies

Sri Lanka health spending (%GDP)



Source: MOH/IPS Sri Lanka National Health Accounts

Strengths of current system

- It's equitable
  - Reaches the poor more effectively than most
  - Financing burden is more on rich
- It's efficient
  - Delivers more services at acceptable quality for given money than any other
- It provides effective insurance
  - Provides expensive inpatient care when needed to most people

Strengths of current system

- One of a small group - Malaysia, Hong Kong, Jamaica, Cyprus, Mauritius
  - Effective public sector hospital delivery funded by taxation without user fees
  - Voluntary use of private sector, mostly in outpatient sector
  - Equitable, efficient, but difficult to change

Problems of system

- No increase in public spending
  - Odd man out in Asia in 1990s
  - Increase in private spending may destabilize system
- Antiquated approach to primary care provision - no integrated & trained GP service
- Future employment of medical graduates
- 19th Century view amongst policy-makers of role of state in health financing

Funding options

- **Public funding**
  - **Taxes**
  - **Social insurance**
- **Private funding**
  - **Out-of-pocket payments**
  - **Private insurance**

Can private funding be the solution?

- Not supported by international experience - trend everywhere is towards increased public funding
- Not equitable
- Increased reliance on direct payments will undermine protection
- Private insurance will not cover those who need health care the most (elderly, poor, sick)
- Politically not viable - will lead to social reaction

What choices for public funding?

- Taxation
  - Falling tax revenues since 1977 (35% -> 15% of GDP)
  - Policy choices, not inevitable
- Social insurance
  - Collection poses similar problems to taxation
  - Technically demanding
  - No panacea - will still require taxation (Thailand, Japan, Taiwan)

Key Issues

- In long-run, no alternative to increasing public funding, if system is to be strengthened. Recent examples:
  - Thailand, China, Indonesia, Hong Kong, Philippines, Japan, Korea, Taiwan, USA, UK
- Taxation or Social Insurance - still requires commitment to increased taxation
- Key funding gaps are in specialised GP services, and medicines for outpatients
- . . . . . --> Extend public funding to GP and outpatient medicines?