



Public Sector Family Planning: How Can We Pay For It?

Government and donor funds fail to meet growing demands for reproductive health care in the public sector. Strategies to support such services include:

- *Convince governments to invest more in family planning.*
- *Use market segmentation to direct subsidies to the poor and to direct clients who can afford to pay to the private sector.*
- *Encourage public-private partnerships to increase use of the private sector.*
- *Increase the efficiency of service provision in the public sector.*
- *Plan for the phase-out of donor-provided contraceptives.*

The public sector is the most important provider of family planning services in almost all developing countries, a status that confronts governments with large and growing costs.

On the demand side, more women are entering the childbearing years and their use of family planning is increasing. At the same time, the public sector is being asked to offer additional reproductive health care services, especially for HIV prevention. Resources are not keeping up with needs. Donor funding levels are stagnant, and there is fear that they will decrease. Countries that once received donated contraceptive commodities must now buy them. What can be done to address these problems?

Convince developing country governments to invest in family planning. Extensive evidence shows that family planning is a good investment for governments: fewer babies mean improved health status for families, lower costs of maternal/child health care and of education, and higher worker productivity (Singh et al. 2003). However, governments need to be convinced. Curative care gets a higher priority for funding, since its benefits are immediately visible, while the benefits of family planning may not be evident for many years. Health care system decentralization often means that family planning gets even less attention, as decision-makers closer to the service level favor curative care even more than planners at ministerial levels do. The challenge is to convince developing-country governments to increase family planning funds as part of necessary increases in total health care budgets.

Use market segmentation to improve the targeting of subsidies. Low or zero prices for public-sector family planning supplies and services, combined with a concentration on services in urban areas, means that the poor are underserved, while subsidies often flow to people who could pay more. Shifting some users from the subsidized public sector to the for-profit private sector could reduce both government and donor financial burdens. But there is little evidence that this shift is occurring (Ross et al. 2005). There are two ways that policy can encourage market segmentation:

- *Raise prices:* One suggestion would be to introduce or raise prices at public-sector clinics. But price increases might reduce contraceptive use among the poor. Policies directed at protecting individuals, such as fee waivers, differential pricing, or means testing, seem to be logical solutions, but these have had limited success. Group-level interventions, such as charging lower prices in poorer urban and rural areas and higher prices in clinics serving more affluent areas, seem more promising. Although far from perfect, such solutions have the advantage of simplicity and do not require clinicians or facility staff to decide who pays or who pays what.
- *Redirect clients to the private sector:* Clients can be “pulled” out of the public sector by more attractive services in the private sector. This is one of the basic assumptions behind market

segmentation. More “pull” requires efforts to strengthen service provision in the commercial sector and to publicize these improved services. The commercial sector must be convinced that providing family planning services can be profitable, and governments may need to be convinced to take often unpopular steps such as lifting price controls on pharmaceuticals, reducing tariff barriers, or removing restrictions on marketing and service provision.

Test whether public-private partnerships reduce the costs of family planning services.

Governments can pay nongovernmental organizations and for-profit groups to manage health care and family planning services. Such arrangements are characterized as contracting, where the government outsources service provision. Also, governments can provide people with vouchers to be used in the private sector. In both of these cases the government’s role in service provision is reduced, but its role as a funder of services continues. Research is starting on public-private sector partnerships intended to improve service delivery and reduce costs (Loevinsohn and Harding 2005). Partnerships have increased service outputs and quality and reduced client per-capita health care expenditures, but there is also evidence that outsourcing has increased public sector per-capita costs. Future research needs to (1) determine when outsourcing reduces public sector costs and (2) examine how vouchers affect access, quality, and service delivery costs.

Increase the efficiency of service provision in the public sector. In many countries providers spend only a small percentage of their time with clients, resulting in unnecessarily high per client costs (Janowitz 2006). Strategies to improve productivity must be tested. Long-lasting efficiency increases would mean that in the future larger cohorts of family planning users could be served at lower per-client costs than is now the case.

Plan for the phase-out of donor-provided contraceptives. The public sector must plan for the day when donors no longer provide contraceptives. Part of the planning process should include deciding on the appropriate trade-off between a more diversified method mix and larger quantities of less costly methods. Many public-sector programs have sought to have a broad method mix, but an unfortunate corollary of this decision may be high costs. The total cost of family planning commodities is estimated to be over US\$900 million in 2005 and is predicted to increase by almost 10 percent by 2010 (Ross et al. 2005). Increasingly, injectables such as DMPA, which are costly, dominate method mixes, while use of low-cost methods such as the IUD has declined in many countries. Implants and female condoms continue to be donated even though public-sector programs probably could not afford them. While such donations result in a diversified method mix, the mix is not sustainable. It will result in needless increases in the cost of family planning to the government, and make it harder to achieve contraceptive security. Financing public sector family planning services must become a growing concern of governments and international donors. Helping the public sector take the actions necessary to sustain the delivery of family planning services to those without access to other sources of contraception is key to sustainability.

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