Keynote Presentation: Why the Private Sector Matters: Evidence from the Field

Ruth Levine

Dr. Levine, Director of Programs and Senior Fellow, Center for Global Development reviews the current role of the private sector in the provision of health services in the developing world, and the benefits of partnering with the private sector to reach public health goals.

Click the Contribute button below to ask Dr. Levine a question or to share your own views and experiences related to why the Private Sector matters.

Jose Paganini
Oct 27 2006 4:16PM
In my country, Argentina, practically 50 per cent of total acute bedas are private.They belong either to medical doctors, as well as non for profit organizations
Presently they are facing financial problems due to lack of incentives and poor financing schemes.
Nevertheless and in spite of these limitations they are concerned about quality, efficiency and equity of services
Together with the institution that reprsent almost 80 percent of private sector, and a National University School of Medicine we developed a two step precess to promote quality of services,
1. to support self evalaution process in private clinics as voluntary bases
2. to offer accreditation programs that emphsize health care standars for patient safety, equity and efficiciency
Our 5 year experience is very encouraging with around 200 clinics participating in thies process at diferent levels of development
you can find most information at
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Luis Azpurua
Oct 28 2006 3:08AM
Interesting conference indeed!
Our experience:
In the public sector we usually order a lot of ancillary tests that are no useful for the patient's diagnosis (labs, Xrays). Those tests rise the costs of healthcare. Also, with a thight budget, we usually run out of these tests before ending the fiscal year. On the other hand, many physicians do not feel the hospitals as \"themselves\". the do not have asense of belonging. So they do not care about saving resources or money.
Another perspective: Most of the low income people go to the private healthcare because in the public sector technology doesn't work properly. Practical Example: We are in a 1.5 million people area of influence and we barely have radiology service. Beacuse of lack of maintenance, the X Rays equipment are broken!! So they must go to the private services

that have the service available. I agree that the public healthcare is rarely free at all."

Francoise Armand
Oct 30 2006 8:33PM
One of the two key conclusions of your presentation is that there is a need for a stronger policy framework and tighter regulation of the private sector. You also mention the words \"dysfunction\", \"low-quality\" and \"over prescribing\" of services in the private sector. Is there much evidence that quality of care is a much higher problem in the private sector than it is in public facilities? Should tighter controls really be a priority when there is a need to engage and motivate private providers to reach out to a wider population base? Another question I have is related to what exactly needs to be regulated in the private sector. My experience is that the pharmaceutical industry is already highly regulated, are you then referring to medical services when you advocate as stronger policy framework?

Ruth Levine
Nov 1 2006 4:56PM
Thank you for the information about Argentina's experience.á I worked for several years on maternal and child health programs in Argentina, and saw for myself what interesting challenges exist in the country's health financing and organization.á Compared to other countries that spend as much on health, Argentina's health indicators, including infant mortality and reproductive health measures, tend to be relatively poor.á This is a result of significant inefficiencies in both the allocation of resources and in the technical efficiency of health services - as you indicate

You ask about the regulatory role of government, and the trade-offs between encouraging private sector activity and restricting it through regulation.á Obviously care needs to be taken to ensure that regulation and quality assurance is not used by the public sector to unduly limit private sector activity.á However, it's important to think about two aspects of regulation, in addition to the pharmaceutical licensing and registration, which you mention:á First, there is often a need for some type of external standard of quality or accreditation of providers (medical personnel and facilities), because patients themselves are unable to observe and judge technical quality; this is where there is a clear need for collective action, which in many countries is taken on by professional associations or the like.á That is the example you cite in Argentina.á It is not always the case that professional groups have the capacity or organizational wherewithal to do this, and in some settings this certification system can and should be done by a public or quasi-public agency.ááSecond,áinágeneralátheáprivateásectorácanáflourisháonlyáwhenáthere is some sort of genuine insurance market.á The public sector has a role to play in insurance regulation, to prevent fraudulent practices, such as failing to compensate for justifiable claims.á The objective is not to limit the potential for private sector activity, but to make sure there is an environment that reduces the chances of corrupt practices.
Thank you again for your question, and for the information about Argentina.

Lionel Vigil
Nov 4 2006 7:30PM

Why the state failure should lead us to think that the private sector is the best solution for access to health quality services for the poor?. Evidece from the field also shows that if there is not a strong public health service provision and clear rules and regulations from the state, the private sector instead of being beneficial for the poor is a aburden for them, creating more exclusion and inequalities. This is the case of Peru, which has undergone through extreme market liberalization and structural adjustment programes, which indeed brought high economic growth that largely benefited the better off, however did very little for the poor. Peru's 50% of its population lives in poverty, having little access to public health services, they are the ones who pay more for health services than the better off. History tell us that developed countries such as Britain, France and Germany have also had before World War II, similar health indicators than developing countries, but by investing in public health and education, they were able to create good condition for economic growth and development, which quickly changed those indicators. Why this could not be the right track for developing countries with the help of the north? I think we had more than enough private sector participation in health services provision in our contries which has undermined the international support for public health. I would like to see empirical evidence during the conference that shows how well has done or is doing the private sector, providing health services for the poor in developing countries.

Sohail Agha
Nov 10 2006 12:06AM
I think Lionel Vigil makes some very useful points. The role of the public sector is key in terms of utilization of services when the private sector expands. As long as the public sector continues to provide services to the poor, private sector expansion does not increase inequality in the use of services. It's when the public sector becomes weaker in the provision of services to the poor, that private sector expansion may hurt by creating inequalities in use of services. Professor Mai Do and I are in the process of completing a 5 country study which looked at the effects of private sector expansion in the supply of family planning services on inequality in contraceptive use. We used nationally representative data from Morocco, Kenya, Ghana, Indonesia and Bangladesh - 5 countries in which the private sector had epanded provision of FP services in the last couple of decades. We used multiple rounds of Demographic and Health Survey data for the analysis and calculated concentration indices to measure inequality in contraceptive use. In none of the 5 countries studied was there an overall increase in inequality as the private sector expanded. There was one stratum in which inequality in contraceptive use did increase: this was in rural Kenya, due to the lack of availability of government provided services because of declines in donor support.
Family planning is an areas where governments have generally been strong in provision of services. Our study shows that an expansion of the private sector in FP service provision does not have a negative effect on inqequality in use of contraceptives as long as the government continues to provide FP services to the poor. I believe that private sector strategies should not be implemented without adequate provision of services to the poor by the public sector. However, when such provision is secured, there does not seem to be a problem.

Moises Rosas

Nov 11 2006 3:26PM
In the same direction of Lionel Vigil, Peru has an overloaded hospital infrastructure and underused primary care facilities. As a result of the misbalance, private entrepreneurs are mainly interested in hospital infrastructure, leaving primary care under funded.
In this regard, a recent paper may be interesting: McKee M, Edwards N, Atunc R. Public-private partnerships for hospitals. Bulletin of the World Health Organization 2006;84:890-896.
Strong private (and public) regulation (and its enforcement) is not a hallmark of developing countries.

Raman Kutty
Nov 13 2006 7:00AM
let me narrate the experience of kerala state in india, which has among the best health indicators in the underdeveloped world (imr currently less than 15). health services here developed throgh public sector initiatives, but soon the privarte sector expanded and currently accounts for the larger share of the pie, at all levels. but what has to be seen is that the public sector also incorporates private payments at many levels- through bribes, outside prescriptions, lab requests to private labs etc, so that the statement that public sector is not 'free' is absolutely true. also, regulation of the private sector has proved to be increasingly difficult, due to several factors, not the least of which is the influence that doctors lobbies have on the policy makers. my conclusion is
1. while what is stated in the presentation is largely true, it is a simplistic picture- the reality is much more complex. what works in some countries might not work in others
2. while talking about government control, local governments seem to work much better in controllling health institutions than having national guidelines and rules.

olayinka Ayankogbe
Nov 13 2006 9:25AM
Yes I do agree with the presenter that the private health sector is a formidable force to recone with in developing countries especially judging from our own expereience in Lagos ,Nigeria. Although the populace will like to be treated by the perceived experts in the government teaching and general hospitals, long waiting times, difficult access to drugs and general inefficiency of that sector makes patients to go to the private sector clinics and hospitals whee they will rather pay extra and get quicker services, so long that their problems are solved.Also,evidence abounds that a large proportion of the government doctors in Nigeria are egaged in private practice. This trend needs to be exploited, for it cannot be stopped. However more studies need to be done to understand the dynamics operating at this micro level, for it is the delebarate neglect of the government, of this trend that is largely responsible for the brain drain of doctors from rural to urban then to outside the country, especially in Nigeria. We at the College of Medicine are presently involved with a sructured engagement with the private general practice sector in a baseline mapping out of the disesaes that present at this level with full co-operaion of the umbrella organisation of private medical practitioners. we hope to build on this experience in increasing ways to build bridges beetween the two for reserach and generation of evidence for both private sector and government policy. I think this kind of development should be encouraged between academia and the

privatesector. Then all sorts of issues can be raised and tested in pilot field trials to increase the evidence base for private public partnership at this level
Well done, madam. More power to your elbows and to those of the organisation you represent!
And by the way, this is a fantastic conference!!!
Yinka

Richard Amenyah
Nov 13 2006 11:09AM
Hi everybody I am glad to be part of this conference. I have closely followed the discussions and I will first want to congratulate Ruth for a great presentation of the subject matter. The issues arising from your presentation clearly demonstrates that achieving a meaningful public-private partnership is a tall-order as the physical/geographic, policy and socioeconomic and cultural environments are varied. I Ghana like in other countries, the private sector like you said is perceived as for the rich especially the private self-financing groups. Hence, engaging such groups to collaborate with Government (public) institutions has always been challenging. Ghana is confronted with overwhelming poverty that we recently went under the umbrella of 'Highly indebted poor country', our health care systems have become very weak as a result of neglect and poor management, heavy toll of brain-drain on the health sector clearly weaken the public sector and the private sector 'benefited' from doctors within the public sector to work on locum basis for private sector. Now, government has re-structured the salaries of healthcare workers and most of the have moved back to the public sector. Hence the private sector now is competing with public sector for human resource. While some private health facilities can afford this competition, it is clearly going to keep some private sector facilities out of business. The truth is that when you move out of the big towns and cities, health care for the rural population is largely supplemented by the small private sector facilities so how can such institutions survive the competition.
Family Health International (FHI) is fostering private-public partnership with the scale up of Antiretroviral therapy within the private self-financing sector (called the Rainbow Network). Engaging the government institutions on this initiative was initially difficult however, we succeeded in engaging the National AIDS Control Programme, to supply ARVs (at a cost of $30/month as against $5/month for public sector), CD4 measurement and HIV test kits for free at specified public sector facilities. This is a great step for strong partnership with government. FHI's role is to make sure standards of HIV Care are maintained in accordance with National guidelines and protocols and regularly feed the NACP with reports. The World Bank under its Treatment Acceleration Programme (TAP) is supporting Ghana and one of its learning agenda is to engage the private sector in HIV care and treatment. This programme has also fostered private-public sector partnership with a similar arrangement as the Rainbow Network but has a pro-oor approach where poor community people can access care at the same rate of $5/month as in the public sector.
I hope to gain a lot of ideas and experiences of others in this area to apply to what pertains in Ghana. Thank you all.
Noamesi

Luis Mauricio Pinet Peralta
Nov 13 2006 2:03PM
I enjoyed your presentation. I also agree that the private sector should continue its role and involvement and would remark the need to regulate it in order to avoid market forces to drive the motivations for providing health care. Even though use of private healthcare is larger than use of public services, which populations have better outcomes? I think that one crucial aspect is integrating preventive services into the healthcare system. Countries with a focus on tertiary care rather than preventive approaches, have worse health indicators than those with a strong public health focus. In this sense, market forces drive private healthcare to provide more services (the incentive to make money) rather than protect pubic health. And I agree with you, that strict regulation is needed in order for the private sector to remain profitable and adequate.

Ruth Levine
Nov 13 2006 6:23PM
Thanks for this question and statement. It is interesting to see that this perspective is so different from the writer from Argentina.
I hope that in my remarks I was clear that in saying that the private sector has a role that should be acknowledged and facilitated does not mean that the public sector has no role to play. On the contrary, the public sector does indeed have a regulatory and normative role; a role in providing core community- and population health services, which are the \"public goods\" that the market is very unlikely to provide, even under the best of circumstances; and a role in ensuring access for those unable to pay (through financing if not always government-operated services). I certainly agree with the spirit of the writer's point, which is that those who are below or close to the poverty line should be protected from the stress of out-of-pocket payments for services, regardless of whether they are provided within the public or private sectors. One way to do this is for the government to finance care for low-income households through contracts with private providers, who are already used by all income strata, and sometimes are available in places where the public sector is not. Some of these contracting mechanisms have been quite well tested, as I think you will see in later presentations.

Ruth Levine
Nov 13 2006 7:05PM
Thank you for your question.
There is little empirical research on quality, period. The best summary and references can be found in \"Improving the Quality of Care in Developing Countries\" by John Peabody et al (2006). You could link to this on the DCP2 site: http ://www.dcp2.org/page/main/Home.html
Here is the citation for your reference: Improving the Quality of Care in Developing Countries . John W. Peabody , Mario M. Taguiwalo, ... (DCP2) (Jamison et al ., 2006). http://files.dcp2.org/pdf/PIH/PIH.pdf

There is some information about the shortcomings in quality within the private sector, but most of the work that I know of has been done in India. (Also see: http://www.bmj.com/cgi/content/full/323/7311/463.)

As I wrote earlier, care needs to be taken to ensure that regulation and quality assurance is not used by the public sector to unduly limit private sector activity. However, it's important to think about two aspects of regulation, in addition to the pharmaceutical licensing and registration:
First, there is often a need for some type of external standard of quality or accreditation of providers (medical personnel and facilities), because patients themselves are unable to observe and judge technical quality; this is where there is a clear need for collective action, which in many countries is taken on by professional associations or the like. It is not always the case that professional groups have the capacity or organizational wherewithal to do this, and in some settings this certification system can and should be done by a public or quasi-public agency.
Second, in general the private sector can flourish only when there is some sort of genuine insurance market. The public sector has a role to play in insurance regulation, to prevent fraudulent practices, such as failing to compensate for justifiable claims. The objective is not to limit the potential for private sector activity, but to make sure there is an environment that reduces the chances of corrupt practices.

Kingsley Pereko
Nov 14 2006 4:57PM
I am glad since this is my first time of participating in an online conference as this. I say thanks to the organisers and to all the presenters. I came in late after struggling to find my password and user name. However I must say I do agree with the fact that the private sector has done a lot of good in the development of health especially in the developing countries. When we consider the sales of health equipments and drugs, private health facilities and so many aspects of health (for example health education). In my country such as Ghana, the private sector participation in health delivery has been of tremendous benefit. Most drugs, equipment, health education and proper health delivery lacking in the public health sector has been the basic service of private health delivery. However, as much as I will praise the private sector for the good work done, I will not loss site of the financial accessibility of the populace to these services. These services have been regarded as the service of the elites leaving behind the majority who are below the poverty line. I do also agree with the fact that the cost of service delivery for the private sector is very high and will therefore need the support or various stackholders if they are to continue their good work and also give affordable service.
Thanks you once again
Kingsley Pereko
kpereko@gmail.com

Oladipupo Awosika
Nov 14 2006 6:55PM
Ruth Levine's paper succintly summarises what the private sector has known all along, that the poor have mostly depended on the Private health sector , at least in Nigeria
It took until a year ago for the Public sector in Nigeria to accept that almost 70% of THE is Private Out Of Pocket expended mostly at private facilities

The issue of Quality of Care arises only after basic health care needs are met. In environments where the public sector itself is not up to scratch, quality of care becomes a superfluos issue.
When Quality of Care comes into play most public sector facilities may fare no better than the private sector that is usually derided.
In the context of most developing countries, the private sector has grown because of the abdication of roles and provision by the private sector
More interesting is the unknown fact that private providers would welcome information, education and continuing training if made available. They want to remain competitive too.

Eliseo Martell
Nov 15 2006 2:12AM
Maybe is not a different perspective, but I can mention different experiences in the area of health. I practiced medicine in El Salvador, in Central America for some years, then I had the opportunity to work in Nicaragua and in the last 13 years I have worked in Public Health in Canada. I will agree that the private sector plays a role in the delivery of health services and the dimention of this role depends sometimes on political decisions or the particular ideology that a government has, mostlly when it is a neo-liberal, market oriented ideology.By placing so much emphasis on how important is the private sector, we are ignoring the fact that most of the times the limited role of the public sector is due to mismanagement, limited investment and in many cases corruption. It seems to me that besides prasing the importance of the private sector we should be thinking on how do we improve the planning, organization and development of services from the public sector. In Canada where we have a very strong public health sector, we see that when governments commit to adequate financing of the public sector, it can compete with any private health service provider.

rodolfo Gomez
Nov 15 2006 6:18AM
Estimado Dr Pagananini: Me gustaria mucho poder conocer un poco mas en profundidad su experiencia, suena muy ilustradora.
Yo tambien soy argentino, pero trabajo en los EEUU en una ONG internacional como asesor superior de sistemas de salud.
Un fuerte abrazo y espero poder conocer en profundidad su experiencia y aprender de ella.
Rodolfo Gomez Ponce de Leon

Tom Noel
Nov 15 2006 3:12PM
Thank you for creating this opportunity to discuss private sector participation in health delivery, and in such an innovative way that allows us to take part from all parts of the world.
Three things strike me from your presentation. Firstly, you quote the fact from 'Trends and Opportunities' (Marek et al) that out-of-pocket payments account for the majority of health payments in many LICs. Is this fact really a signal of ability and willingness to

pay? We know that payments for catastrophic health costs are one of the main reasons for families falling into the poverty trap; by contracting debts, or selling assets such as livestock, housing and land. The sale of land in particular consigns not just families, but generations of families to poverty. And yet these payments are still made. So how much of the factually large out-of-pocket payment is in fact 'poverty payment'? Does anybody know of any research on this question? It would seem an important question to answer, as such payments are beyond economists' definitions of ability-to-pay.
Secondly, much of the private sector where I worked in East Africa did not conform to the quite sophisticated definitions given in your slide (I haven't been able to access the audio - so maybe you qualified the three types of private provider?). I am thinking of the rural kiosks selling malaria tablets, aspirin, as well as soap, salt, dry foods, coca-cola etc. We worked with a number of kiosk-owners to ensure that they were informed about government guidelines on malaria treatment, but in the absence of any locally available medical staff to diagnose, the demand for malaria tablets from these private providers was only very loosely linked to actual malaria episodes.
Finally, and linked to the second point: you list doctors, nurses, midwives, pharmacists as potential private providers. But these professionals are generally trained publicly, and according to WHO there is a shortage of 4.25 million health workers worldwide, mainly in low-income countries. Contracts to private providers to deliver services have worked in countries with sufficient state capacity to regulate, but how can they provide greater access (universal access even) when there is still the same shortage of front-line workers to deliver the services? There do not appear to be any incentives for the private sector to invest in the rapid training of huge numbers of health workers - which leaves governments responsible for training them. The lack of health workers often appears to be ignored in debates about private sector service provision, but surely it is essential.

olayinka Ayankogbe
Nov 16 2006 12:22PM
Thanks Ruth for your presentaion. You seemed to have aptly described what is going on in Nigeria.I have also read through the contributions of others in response to your presentaion.There is no doubt that the private sector in Nigeria will take health to the nooks and corners of the country if encouraged. Concerns of shortage of staff will vanish if there is a perception that you can \"make it\" as a health practitioner, either by combinig public employment with private employment, or being a wholly private worker in an ENABLING environment created by the government i.e. the public sector. Studies in Lagos Nigeria have shown that a large number of public doctors engage in private practice. Also private mediical practitioners hold two or more jobs in addition to running their own clinics. What is needed is an acceptance of these trends and a co-ordination along the trends by government policy. In most public systems in Africa, there is no doubt in anybody's mind who has had to work in these systems as to the inefficiency, bureucracy, waste etc etc, that is not taking us any way for decades. New solutions have to be found. The efficiency that comes from striving to be cost-effective, competititive and to break even drives the private health sector to offer high quality services.Dissappearance of mutual suspicion between the public health sector and the private health sector and imbibing the spirit of collaboration will augur well for equity coverage of the population as demontrated in the submission by the Ghana contributor

and FHI in the provision of ARV's in Ghana. It is a feat that should be dublicated in all African Countries
Thank you
Yinka
yinayanks@yahoo.com

Moises Rosas
Nov 16 2006 2:45PM
Dear Yinka
I would like to share our experience after more than a decade of \"liberalizing\" the health services and allow the regulated market forces work: the same patient seen in the public provider is seen later (the same day) in the private provider, BY THE SAME DOCTOR. And the quality is not the same, of course!
Even after allowing the public providers to charge a fee to patients \"who can afford it\" (that is, the most of them, as health is a no replaceable good, and keep in mind that the public provider is the one who determines \"who can pay\"), the flow of patients from public providers to private ones is huge, as the health worker is the main factor in redirecting them. A lot of patients have to sell everything the have, falling in the poverty trap.
I don't know how many countries are so regulated to forbid that moral hazard by law, but I'm aware Canada does not allow the private providers to offer the services publicly funded, by law. Would your country pass a law to do the same? Our experience is that once the private providers are strong enough, they lobby to keep the status quo. So the bottom line: beware the middle and long term effects.
Many participants in this forum has pointed that private efforts are complementary to the main public system, which is the one who deserves close attention. Empowerment of the public system should be the main concern, and the private participation should be a tool to achieve that goal.
If competition is key to improve the quality of services, why is not possible to arrange that competition between public providers? Here in Peru we are in the middle of a pilot experience in the public sector, involving 400,000 direct affiliates to the public insurance system, and 1.6 million people served by the same providers, which should be indirectly and positively affected. Results to date are better than expected. All hard and soft measures showed spectacular improvement, and several other health districts have requested to participate in the experience.

Alison Bishop
Nov 17 2006 3:25PM
Here is the resource mentioned by Moises. "Partnerhsips for Hospitals" "public-private_parternships_for_hospitals.pdf"