Rational Regulation

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Rich Feeley

Boston University School of Public Health

PSP-One
private sector partnerships for better health

USAID
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World Health Organization

Presentation Overview

- Rationale for regulation of the private sector
- Goals of regulation
- Regulating quality in the private sector
- Regulating economic issues related to the private sector
- Alternatives/supplements to regulation
- Conclusions

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The Medical “Market” Spectrum

Government Provides
All Health
Services

Government Exercises
Stewardship
Role Only

Citizens Demand More Health Care or Service on Different Terms than Government Can Provide

Private
Practice
Illegal

Private Practice
The Norm

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Why the "Medical Market" is Imperfect?

- **Information Inequalities**
  - What practitioner is qualified?
  - What treatment do I "need"?
    - Provider induced demand
    - Third party payment
  - The irreversibility of mistake
- **Externalities**
  - My treatment benefits others

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Goals for Regulation

- **Quality**
  - Protect the population
  - Improve average quality
  - Use the “police power”
- **Economic**
  - Access
  - Efficiency
  - Equity

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How "Bad" Is Private Practice in Developing Countries?

- **Results depend on definition of the private sector:**
  - A spectrum of public and private
    - Moonlighting Government providers
    - Fully qualified and fully private
    - Any provider of "medical" services

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Is Quality Worse in the Private Sector?

- **Few direct comparisons**
- **Vietnam** [1]
  - Public sector care higher quality
  - But moonlighting Government providers were close
  - Private scores pulled down by unqualified providers
- **South Africa GP’s and STI’s** [2]
  - < 1/3 of cases received effective therapy
  - Medical Scheme patients get better treatment
  - Recent graduates (after 1993) give better treatment
  - Part time public sector work does not improve quality
  - Performance improving slowly over time

1 Tran Tuan et al. “Comparative Quality of Public and Private Health Services in Vietnam” (2005)

2 Schneider, Chabikuli, Blauuw,et al. “Sexually transmitted infections---factors associated with the quality of care among general practitioners” SA Medical Journal, Cot. 2005, 95#10

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Where Quality in the Private Sector is Worse

- **Many "private providers" lack required qualifications**
- **Dispensing providers have an incentive to overprescribe**
  - Or underprescribed if Rx included in fee (RSA)
  - Is it any different in developed countries?
- **Isolated from new developments**
- **"It is what the patient wants/expects"**

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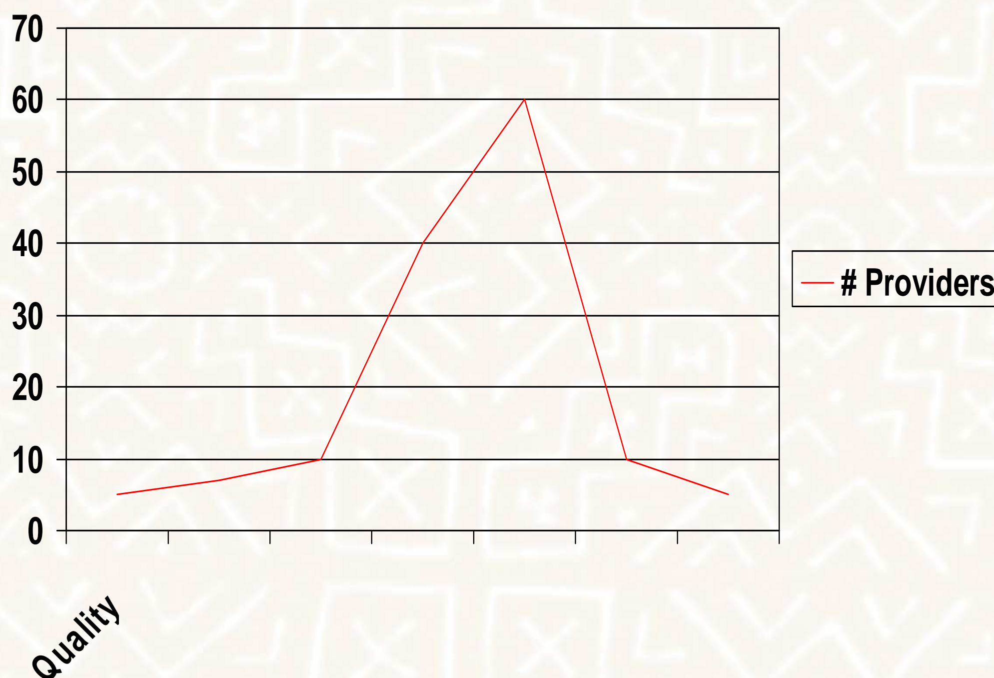
Regulation and Quality Distribution

- **Regulation can cut the tail off the quality curve, if:**
  - Motivated
  - Legally empowered
  - Well Informed
  - Adequate resources
- **Not good at shifting the quality curve to the right**



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If You Regulate Quality, What Do You Regulate?

- **Structure**
  - Easiest
    - Training
    - Minimal Staffing
    - Physical Facilities
- **Process**
  - Medical Records
  - Review Process
- **Outcome**
  - Hardest
    - Data?
    - Confounding Factors

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Making Licensing/Registration More Effective

- **Taking consumer complaints seriously**
  - In India, consumer protection law gets provider's attention
  - Consumer education
  - Resources and representation
  - Public representatives on licensing boards
  - Why they shoot deserters?
- **Educating and Regulating**
  - In Laos, pharmacy practices improved with inspections[1]
    - Or was it the "Hawthorn Effect"

1 Bo Stenson et al "Private pharmacy practice and regulation: a randomized trial in Lao PDR" (2001)

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Make Licensing/Regulation More Effective

- **Prohibit the unqualified from practicing?**
  - License other categories
    - License the drug seller where there is no pharmacist
  - Educate the consumers
    - What to expect of medical care
      - More drugs not always better
      - Injections not better than pills
    - How to tell what provider is qualified?
- **Beware of provider capture**

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Shifting the Quality Distribution

- **What works in the developed world[1]**
  - Continuing education a necessary, but not sufficient, condition
  - Some interventions have little effect
    - CME alone
    - Published guidelines
  - What works
    - Feedback/academic detailing
    - Peer leaders as change agents
    - Combining provider and patient interventions

Andrew Oxman et al "No magic bullets: a systematic review of 102 trials of interventions t to improve professional practice" (1995)
Sarbani Chakraborty et al. "Improving private practitioner care of sick Children; testing new approaches in rural Bihar" (200)

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Shifting the Quality Curve in the Developing World

- **Educating private providers**
  - Still a necessary condition
  - Current investment in training of private providers does not reflect usage patterns
    - Invite to Government sponsored training
    - Tailor to economic realities of private practice
      - Not paid to attend workshops
    - Work through peer leaders and associations
    - Include CME requirements in licensing

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Rules for Quality Regulators

- **There is no free lunch**
  - Resources required
  - Management attention
- **Easier to outlaw the atrocious than to require the good**
- **You need a range of sanctions**
- **Do not write regulations you cannot enforce**
- **But do not use problems as an excuse to ignore regulation**

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Economic Regulation

- **The power to regulate competition in the market place**
  - Monopolies
  - Anticompetitive practices
- **Achieving social goals through regulation**
  - Equity in access
  - Cross subsidization
    - “Free care” or emergency care obligations in private hospitals

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Should Gov't Worry About the Cost & Efficiency of the Health System?

- **Access**
  - Does cost deter access?
  - Are providers in the wrong place?
  - Is health insurance:
    - Affordable? Equitable?
- **Efficiency**
  - Is money wasted on "low value" procedures?
  - Is the system too "high tech?"
  - Does society spend too much on health?

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Should Government Regulate Prices?

- **Tempting way to improve access**
- **The ceiling price becomes a floor**
  - So prices may rise for some services
- **Set the price too low:**
  - Services not offered
  - Providers can:
    - Increase the volume of services
    - Substitute higher priced services
  - Discourage cross subsidization

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Should Government Regulate Capacity?

- **Restrict supply of high cost/high tech facilities**
  - Low volume = low quality
  - Provider induced demand leads to unnecessary procedures/costs
- **Push providers into underserved areas**

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Constraints on Effective Regulation

- **Drafting modern and realistic regulations**
- **Adequate inspectional staff**
  - Numbers
  - Training
  - Location
  - Supervision and accountability
- **Enforcement procedures**
  - Using the "nuclear option"
  - Hearings procedures
  - Judicial priority

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Use Subsidies to Supplement Regulation?

- **Offset the externalities of prevention**
  - Partial subsidy for:
    - Vaccines
    - TB Treatment
    - Treated bed nets
- **Lower costs to leverage private sector funds**
  - Donor funded ARVs to qualifying private providers
  - Partial support for surgical contraception

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Alternatives/Supplements to Regulation: A Checklist

- **Training and Education**
  - Provider
    Consumer
- **Improved information flows**
- **Professional liability**
- **Self regulation**
- **Franchising**
- **Targeted subsidies**

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Moving Forward: Modest Expectations, Concerted Action

- Make private sector policies a priority
- Modernize and simplify regulation
- Focus on manageable enforcement
- Use alternatives to the “police power”

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