Public and Private Roles in Providing and Financing Reproductive Health Care

David E. Bloom
Harvard Institute for International Development
Harvard University
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Introduction

Health care systems are designed to promote long and healthy lives. Although different systems pursue this goal in different ways, key aspects of health systems include the efficiency with which they deliver health care services, the quality of the services delivered, equity in access to care, and the sustainability of the system.

The provision and financing of health care are basic issues that every country must address. In principle, a country's health care can be both provided and financed either entirely publicly, or entirely privately (including by nongovernmental organizations (NGOs)). Indeed, private provision of health care is attractive because it reduces the government's fiscal burden, and because it may encourage better resource utilization, and thus deliver more or better health care services at the same overall cost. However, for a variety of conceptual and practical reasons, a mix of public and private provision and financing generally creates the best possibilities for the efficient provision of accessible, good-quality health care. This mix is not determined blindly by a simplistic formula, but will vary depending on a country's stage of development. In general, the private share of total health expenditures tends to fall with rising income per capita, both across countries and for individual countries over time. In addition to issues of provision and financing, the public sector may also have an important role to play in establishing a stable system of health insurance.

These points apply to the provision of health care in general, and they also apply specifically to reproductive health care, which encompasses access to safe methods of fertility regulation; prevention, control, and treatment of sexually transmitted diseases (STDs); and provision of gynecological and obstetric services. Reproductive health care also relates to people's ability to make free and informed decisions about sexuality and reproduction. Note, however, that the ideal public/private mix for health services in general is not necessarily the same as the ideal mix for reproductive health services. Although the appropriate mix can vary depending on the types of health services in question, the integration of reproductive health with health services more generally can be beneficial.

The purpose of this note is to acquaint readers with some fundamental considerations pertinent to decisions about the provision and financing of health services, especially those in the area of reproductive health.
Objectives of health care systems

Health care systems commonly have multiple objectives. These need to be considered both individually and collectively when examining the structure and operation of a health care system. The objectives generally include the following:

**Delivering good quality health care services.** This is, of course, the touchstone of an effective health care system. Public and private providers face different incentives, which affect the quality of health services delivered and the nature of health outcomes.

**Delivering health care services efficiently.** This is crucial, because resource constraints, which exist in all countries, place severe limits on health sector budgets. Here too, public and private providers face different inducements and constraints, which naturally lead them to allocate resources differently, with corresponding differences in health outcomes and their cost.

**Ensuring equity in access to care.** The combination of income inequality and the existence of private providers to whom wealthier individuals can turn makes it difficult to guarantee truly equal access to all types of health care.

**Ensuring sustainable financing of health care.** Short-term solutions often create long-term problems. For example, political realities often lead policymakers to offer publicly financed health care services that ultimately strain fiscal resources beyond their capacity.

The central issues in determining an appropriate mix of public and private provision and financing of health care services are defining which sets of services each sector can handle most effectively, and ensuring that the two sectors work in a such a manner that they complement each other. The following table provides a useful framework for distinguishing between public and private roles in both the financing and provision of health care.

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<tr>
<th>Financing</th>
<th>Public</th>
<th>Private</th>
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<tr>
<td>Public</td>
<td>Government funding and provision, free at point of use: national health services.</td>
<td>Services contracted to private providers.</td>
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<tr>
<td>Private</td>
<td>Supplementary direct user charges; private beds in public hospitals.</td>
<td>Private health care funded by private insurance or direct fees for service: health maintenance organizations.</td>
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Before examining possible roles for the public and private sectors, it is useful to ask why this issue arises and why it matters. Several points are relevant here, namely:

In many cases, governments have not succeeded in efficiently providing a wide range of good-quality health care services to large portions of the population. In addition, in many countries government-operated health programs commonly fail to reach significant segments of the population at all. On the positive side, public programs have been key to improving public health in many countries, especially in the area of reproductive health.

Government budgets are strained worldwide, particularly in developing countries. Competing priorities make it extremely unlikely that public funds will, in the foreseeable future, be adequate to pay for all health care needs.

In many countries the private sector has a long history of involvement in both the provision and financing of health care. Private sector involvement can encompass the provision of health care by doctors and health facilities, the provision of pharmaceuticals, and the creation and operation of health insurance schemes. However, private provision is often inadequate, especially in the prevention and control of infectious diseases in society at large.

Unregulated private sector involvement in health care typically leads to serious quality and equity problems. As the private sector is to a large extent motivated by profit or the pursuit of individual earnings, an inherent feature of unregulated private provision is that providers will ration care to those whose willingness and ability to pay allows providers to make a profit. When private providers cannot make profits (or, as individuals, earn enough money from health care activities), the government must consider taking charge of either the provision, the financing, or both of specific health care needs.

In general, the public/private dichotomy glosses over considerable heterogeneity among both public and private models of health care provision and financing. For example, public health services can be provided by national, regional, or local governmental bodies, and private providers may be for-profit or not-for-profit.

Sometimes discussion of the public/private mix in health care centers on the question, “How, when, and why should government intervene?” This phrasing presumes that, barring specific reasons to the contrary, the private sector should provide health care services. An alternative question is, “Why should societies leave such crucial matters as health care to private providers, who, in the pursuit of profits or higher earnings, have an incentive to deliver low-quality care, to provide unnecessary care, or to overcharge their patients?” One central goal of the private sector is to generate earnings and profits, in contrast to the public sector and NGOs, whose overriding objective is to provide service. Policymakers must take this difference in goals into account if government and the private sector are to work together to achieve a common aim.
The role of government

Because of their public goods nature, many health services (for example, preventing and treating infectious diseases through the use of vaccinations, providing safe water supplies, generating and disseminating health information, and preventing noncommunicable diseases) will be underprovided if left exclusively to market forces and to the behavior of individuals who may be poorly informed about issues concerning their health. Public provision can address these and other market failures. In addition, public provision can improve the distribution of economic resources devoted to health care.

Overcoming market failures

Overcoming market failures is a role that naturally falls to the government. For example, people typically contract STDs unwittingly. The social cost of transmission from one person to another is greater than the cost of infection in the newly infected person, because the infection may well be spread to others, including their unborn children. Thus, insofar as individuals do not bear the full cost of their actions, for instance, multiple partnering without using condoms, they are not likely to exercise the degree of caution that is appropriate from the standpoint of their families, their communities, or society. By bearing some of the cost of detecting and treating STDs, government can confer benefits not just on the individuals treated, but also on those who would otherwise have been at risk for infection.

In general, the government has a natural role in the provision of health services whose social benefits exceed their private benefits (or, technically, whose private costs exceed their social costs). Examples in the area of reproductive health include publicly supported programs that provide information and services related to birth control and family planning, prenatal care, and individual women's reproductive health status. The net effect of such interventions can be decreased morbidity among broad sectors of the population, better educated parents, and healthier babies and children. Up-front investments in reproductive health can thus be extremely cost-effective, because they will typically reduce much larger long-term costs that society as a whole might otherwise be forced to bear.

In the absence of public provision of these services, many needs may go unmet. Adolescents will have less access to the information they need about sexual and reproductive health; women will have more unwanted pregnancies; more pregnancies will result in costly medical procedures; and more women, babies, and children will suffer from debilitating, but often preventable, conditions. Emergency care for obstetrical complications is an enormously important health service, but many people would not think insuring themselves for such care is necessary. The value of protecting oneself against the risk of having to pay for such care is hard to assess. To the extent that people systematically underestimate this value, it will be underprovided by the market. Public provision is likely to be a better alternative.

Caring for the poor and for the rural population

One appropriate role for government is to provide a safety net for the poor and for hard-to-reach, difficult-to-treat, “unprofitable” sectors of the population. In many developing countries, a considerable portion of the population lives in absolute poverty and can afford, at most, only the most basic medical
services. Generally, the responsibility of paying for health care for the poor falls on the government, whether or not it is the actual provider of such care. Even poor countries can afford to do this if they limit the provision of services to a truly basic package. In the very poorest countries, international aid may be needed to support even this level of services.

Providing health care in rural areas tends to be particularly difficult. Private providers are often scarce or nonexistent in these areas, so governments need to craft realistic programs that reach this sizable, traditionally underserved segment of the population. Since fertility, especially unwanted fertility, is generally higher in rural than urban areas, often because of a greater unmet need for contraceptive services, public provision of reproductive health services seems especially warranted here. In circumstances where countries have sufficient numbers of trained people who could manage and provide health services in rural areas, the establishment and operation of a decentralized health care service may be practical and beneficial.

Given the high costs of reaching and treating isolated and poor populations, government programs directed toward these groups will be less efficient, when considered on narrow financial grounds, than private operations that can choose their domain of services and clients. For this reason, policymakers must be sure that the calculations on which their resource allocation decisions are based are truly comparable.

Other things equal, the cost-effectiveness of health care services is improved when interventions are well targeted. Government funds are ill-spent when health care services intended for the poor end up being used by the non-poor.

*Implementing appropriate government mandates and regulations*

Government mandates and regulations can be useful in a number of ways. Given that scope exists for private sector participation in the financing and provision of health care services, government may need to play a role in guaranteeing quality, for example, by setting service delivery standards for private providers and by certifying the appropriateness of drugs and medical procedures. Government can also play a leading role in defining educational curricula that pertain to the training of health professionals and in setting standards for their certification.

Quite frequently, government regulation also extends to placing a cap on fees private sector providers charge. These are controversial because of the view that they create a market distortion. However, they may be appropriate if users of the health care system are relatively poorly informed about their health status and health care needs.
The role of the private sector

Private sector involvement in health care is often an essential ingredient for ensuring that people receive the health care they need at a price they can afford. This may at first glance seem odd, given that an important component of the private sector's motivation is profit or earnings, and such motivations can lead health care providers to emphasize quick interactions with "easy" patients. But, of course, in the longer run providers are motivated to provide good quality care because they need to retain patients and attract new ones. Given the proper incentives, private providers may therefore provide good-quality care that plays an important role in a mixed set of publicly and privately offered services. Indeed, people in developing countries already spend considerable sums on privately supplied health care, including expenditures on both medicine and traditional practices.

Compared with physicians working in the public sector, who are often poorly paid and poorly motivated, private sector doctors (who are commonly the same individuals working an afternoon shift) are typically more accessible and spend more time with their patients. Although fees for the services of private physicians are nearly always much higher than those of public sector doctors, in many instances the poor are able to borrow from others or spend their savings to see private doctors when they have a serious medical problem. In this way the poor are made more miserable by the failure of public services to reach them.

A clear-cut arena for public involvement in the health sector centers on activities such as providing immunizations, controlling disease vectors such as rats and mosquitoes, and guaranteeing basic care for the poor. Beyond these areas, examples abound of good quality health care services being provided and financed efficiently and equitably by both the public and private sectors. In these situations, efficiency depends on providing the appropriate incentives to the provider, irrespective of whether the provider is public or private. In general, however, any service that the private sector can provide responsibly and for which people are willing to pay is likely to be provided efficiently by this sector. In many instances of low-cost medical interventions, the private sector is the ideal provider. In the case of more costly procedures, government can generally not afford to finance a policy of universal coverage, and the private sector will ration access to such services using the price mechanism. The private sector will naturally respond to the health care demands of those who are able to pay the full cost, either directly or through third-party payers such as insurance companies. Means testing can be used to control access to government programs that are meant only for the poor.

Finally, the private sector is well suited to carry out research and to develop new techniques and treatments. The returns from investment in these areas have successfully mobilized private investment in pharmaceuticals; surgical instruments; and homeopathic, ayurvedic, and other non-Western medical practices.

Note that the private sector encompasses both for-profit and nonprofit providers. The distinction is important. For example, for-profit health providers usually find that offering health services to isolated communities is unattractive. However, private, not-for-profit providers, such NGOs and local healers, are often active in these settings.
Provision of health insurance

Most countries are undergoing an epidemiological transition from low-cost, easy to treat, communicable diseases to high-cost, chronic diseases such as hypertension, cancer, and coronary artery blockages. Coupled with rising incomes, the increased prevalence of noncommunicable diseases that are expensive to treat leads many individuals to seek health insurance; however, private insurance markets are often not viable because of the problem of adverse selection. This problem arises because individuals who know they have the greatest health risks will attempt to buy a disproportionate share of the insurance. If unchecked, this practice will ultimately bankrupt the insurance companies.

Compulsory social health insurance addresses this problem by preventing self-selection into the insurance pool. Although social insurance schemes must be publicly established, they can be funded either privately (for example, on a pay-as-you-go or provident fund basis through payroll taxes) or publicly (via general revenues). Provision under such insurance programs can be either public or private. Social insurance programs can also subsidize the indigent, although charging patients less than the full cost of treatment tends to encourage overuse of the system (the problem of moral hazard). However, policymakers can employ a variety of instruments, such as deductibles, copayments, and coverage limits, to address the problem of overuse. Social health insurance works best when most workers are in the formal sector and when administrative capacity is high.

Conclusion

The public/private mix is a fundamental issue in the design of all health systems. Technical considerations provide two useful guidelines for addressing this issue. (Political considerations also matter, but these vary too widely across countries to support useful generalizations.)

First, the public sector is most naturally suited to addressing issues involving communicable diseases, the availability and quality of information about health and health care, and the establishment of viable health insurance programs. Issues involving the establishment of a safety net for the poor and the improvement of equity in the distribution of health resources also fall within the purview of the public sector.

Second, in the absence of particular reasons to favor public provision or financing of health care, the private sector is generally believed to controls costs and promote efficiency. For example, the private sector is especially well suited to detecting and treating many high-cost noncommunicable diseases and conditions.

Given the variety of health problems and of the social and economic circumstances in different countries, a mix of public and private provision and financing of health care is usually preferable. The appropriate mix will vary across countries. It may also vary for different categories of health services, although there is much value in having a common system for the full range of health services within a given province, country, etc.