Regulation is crucial

The private sector has no incentive to either prevent illness or to serve to achieve desired public health outcomes.

By Himanshu M

The proposed amendment to the Karnataka Private Medical Establishment Act, 2007, has brought into focus the fault lines between the government and private medical establishments. Citing public interest, the government has sought to regulate quality and prices in the private sector and protect patients from exploitation.

A mechanism of 'punishment', in the event of exploitation, is sought to be formulated. While some quarters of the private healthcare sector sought changes to the Act, others opposed the idea of regulation altogether. The need for government interference has been questioned, citing privileges of capital and skilled labour (doctors) in a free market. Accounting for weak public health systems in the state, the government's moral authority to regulate has come into question.

The upkeep of the health of populations is the constitutional obligation of governments. Access to affordable, equitable and quality healthcare is a right of all citizens. Healthcare is an acknowledged public 'good' and greater public expenditure on it is associated with healthier societies and progressive economies. Among the high-income countries, the Nordic group—Denmark, Finland, Iceland, Norway, Sweden—with no private healthcare sector enjoy the best of healthcare.

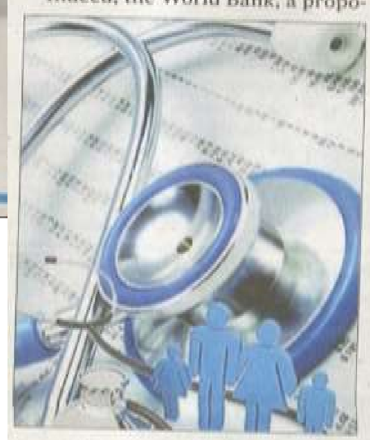
The United States, whose government spends lesser on health than other high-income countries, records poorer health indicators among its peers. However, low and middle-income countries, including India, can seldom afford the required public expenditure on healthcare. Further, existing healthcare systems are burdened and often inefficient in service delivery. This is evidenced by the fact that 80% of people in Karnataka (national average 74.5%) accessed private establishments for out-patient care (71st NSSO).

But not all is grim in public delivery of healthcare. India has recorded consistent increase in public expenditure on healthcare, which is associated with improvements in indicators of life expectancy, maternal and child mortality. Indeed, most gains in maternal and child health were achieved after implementation of reproductive and child health programmes and the National Rural Health Mission.

Strengthening public health systems is a definitive solution, however farfetched. Public health systems are part of general public administration and suffer from myriad issues ranging from leadership and funding to administrative issues. Perhaps, delivery of healthcare requires a different approach, distant from traditional bureaucracy. Nevertheless, development of public establishments is contingent upon overall administrative reforms and socio-economic development. Hence, at this moment and in the near future, private establishments remain vital stakeholders in healthcare.

Since the early 1980s, the private healthcare industry has evolved along with free markets worldwide. The private healthcare sector is known to be efficient to small groups of people but cost-ineffective and matter little to public health outcomes.

Indeed, the World Bank, a proponent of free markets, has since 1993 acknowledged the failure of the private healthcare sector in achieving better health outcomes. The World Bank also notes that market failures are peculiar to healthcare and advocates strong government involvement in it.



Market failures in healthcare occur due to two reasons — non-consideration of externalities and information asymmetry between service providers and consumers. Most often, private sector interventions do not yield benefits beyond an individual. Simply put, ill-health of an individual is influenced by several externalities — environmental, social and political — while treatment serves a public good.

A demand and supply-based cost mechanism neither accounts for externalities nor public good — yielding ineffective services to the economy. Also, the private sector has no incentive to prevent illness — an essential component of human development. Further, information asymmetry contradicts the very principle of market economies.

A doctor — the service provider — has more information than the client and leads treatment decisions. Clients, who are under duress of ill-health, possess

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little knowledge of clinical decisions and the actual value of diagnostics and pharmaceuticals. This unequal relationship between provider and consumer, in a setting of fear, is potent for commercial exploitation.

A patient is left to choose between burdened and ineffective public hospitals and potentially exploitative private ones. Worse, mechanisms of punishment in the event of exploitation are weak, due to power dynamics. Either way, citizens' right to ethical and cost-effective care remains violated.

Urban concentration

A growing private sector has potential to sequester limited human resources in healthcare, more so in societies with income inequalities. Private medical establishments and doctors look to cater to populations with higher purchasing capacity, thus concentrating in cities. Due to short supply of doctors, higher segments of markets tend to sequester the limited supply. Consequently, the national density of doctors and dentists in rural areas is 25% and 10% that of urban areas, respectively. Governments are now forced to compete with small groups with high purchasing power to engage human resources.

Recently, the governments of Karnataka and Uttar Pradesh took to extraordinary measures of 'salary bidding' for specialist positions in rural areas—albeit with limited success. Such has also been the case of diagnostics and pharmaceuticals, where the Centre has taken to price control mechanisms and promotion of generics. In the midst of such complexities, the likes of the World Bank and the World Health Organisation advocate strong government action in healthcare, along with regulation of the private sector when deemed necessary.

Governments are constitutionally obliged to align healthcare systems to produce healthy societies. In a developing country, public and private healthcare sectors cannot function exclusive to each other. When public healthcare systems are slow to mature and deliver, governments must opt to regulate the private sector to achieve the outcome. But this does not absolve it of the responsibility of strengthening public health systems.

Over 25 years of free market economics has been a mixed bag for India. In recent times, the Supreme court has enforced market regulation of medical education, natural resources like spectrum, mines and minerals. This year, the Centre regulated the conduct of real estate business to protect consumers. Healthcare, which affects the right to life and is pivotal to human development, deserves regulation, enforced toughly, when provided through the private sector.

(The writer is a physician and researcher in global health)