EDITORIAL

Sri Lanka's transition to middle income status: Health financing challenges

Sri Lanka's graduation from the International Monetary Fund's Poverty Reduction and Growth Facility is one indication of the **country's economic success**. This success was brought about by a model of economic growth that prioritized investment in our people, based on the recognition that human development is a key to economic development. Sri Lanka's social indicators, such as life expectancy and mortality rates as well as education, have been among the best in developing countries, and are even comparable to some developed countries. The commitment of successive Governments of Sri Lanka towards free education and free health care provision had contributed to a relative. Now that Sri Lanka is a **Middle Income Country (MIC)** and aspires to double the GDP once again (from around USD 2,000 to around USD 4,000) by 2015, we face **new challenges** to be a high performer among our new peers, and to ensure that the poorest and most vulnerable population groups continue to be part of this aspiration. A revisit of healthcare supply is required as we experience a high prevalence of chronic non communicable diseases, almost similar to the epidemiological profile of a developed country. There is an urgent need for significant modernization of our health system, requiring increased investments, and to restructure the health financing mechanism in a manner that enhances effectiveness, efficiency and equity simultaneously.

Increased investments in health would pay dividends to the whole economy, by propelling economic growth. In the new context of the Sri Lankan health sector, **increased investments are not only desirable, but essential to keep our workforce healthy and productive**. A possible additional benefit of a modernized health system of international standards could be the reputation needed to attract foreign clients.

Improvements in maternal and child health, and the control of infectious diseases have led to increased life expectancy, which, along with fertility decline has resulted in a **rapid aging of the population**. This is expectedly accompanied by a **growing burden of non-communicable diseases (NCDs)**, such as cardiovascular disorders, diabetes, cancer, asthma, injuries and mental health problems – while the maternal and child health problems and infectious diseases are not entirely eliminated. Whereas infectious diseases disproportionately affect children, **NCDs are the principal cause of morbidity and mortality in the working age population, productivity depends critically on their health and nutrition.**

The health sector needs to be modernized and made more efficient to meet these new challenges. Thus fulfilling the rising expectations of our increasingly well-informed consumers of health care, in terms of quality and comprehensiveness. This will entail, *inter alia,* re-orienting the primary level care services, improving and automating the health management information system, instituting evidence-based planning and management, filling gaps in the supply of essential drugs and laboratory investigations, rationalizing prescription practices both from a clinical and from an efficiency perspective, increasing access to high quality preventive and curative services including a 24-hour emergency services closer to the community, establishing a referral system, and minimizing avoidable inpatient admissions. Much is to be gained in terms of the coverage for the health conditions mentioned through re orienting primary level health services.

In the longer term such efforts in making the health system more efficient and effective will be a cost saved, however the need for increased initial investment on health in reorganizing the services is obvious. This means that **the fiscal space constraints** have to be overcome. Health care financing options from both from the Government's own resources and by leveraging development partners such as the World Bank and the private sector, and looking for **additional mechanisms for health care financing need to be explored**. While the publicly-financed and publicly provided health services (preventive and curative) cover the whole country, there is a growing private sector with increasing market share, filling gaps in the public system. A little over 50% of the total health expenditures are financed from the private pocket; roughly 50% of the outpatient care and 10% of the inpatient care are provided by the private sector. The **high rate of out-of-pocket expenditures** (mainly for out-patient visits, drugs and lab tests) within a 'free' health services needs to be addressed. The contribution of the Agrahara public sector social health insurance scheme which is heavily subsidized by the Government, needs to be reviewed to make it a progressive financing mechanism and possibly extend its coverage to organized labor-force beyond the pool of public servants – with a well-defined benefit package to cover items that attract out-of-pocket spending at present.

As the steward of the health sector, the Ministry of Health needs to enhance its regulatory role and pro-actively ensure higher quality of care in both public and private sectors. **Partnerships need to be built with the private sector** to yield mutually beneficial investments in health, in particular to find ways of leveraging the private investments towards public policy goals. Innovative methods of healthcare financing should be explored. Whilst growth of the private health industry can be encouraged to cater to those who can afford, those who cannot should be protected through adequate financing where we can provide them with free quality health care.

The Government of Sri Lanka will require a detailed analysis on how healthcare financing policy can support universal coverage of services for selected health conditions in keeping with the present need, in a way that affords social protection to all.