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国際公務労連

Health Sector Reform

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PSI represents

Public Services International represents 20 million women and men in public services in 150 nations.

Our membership covers most areas of public services, giving us a unique perspective on trends in provision of public services from the front lines to global.

Benefits of public provision of health care in achieving good health outcomes

Our experience shows that the value of public services is often misunderstood or ignored.

This is often because of the assumption that the private sector is more efficient.

Health care is one of the more obvious examples.

I have a couple of core messages, many of them corroborated by the bank's own studies and evaluations:

1. Private provision of health services does not ensure universal access
2. Private sector efficiency is a myth
3. Market provision causes financial catastrophe to families exactly in their time of greatest need
4. The public sector is simply better able to capture and plan for long term public benefits of increased health.

This is widely documented.

Public health systems have better outcomes

For example market-based World Bank programmes in Uganda have been shown to result in significant deterioration in health access and poverty outcomes for the most vulnerable (Nyamugasira and Rowden, 2002; p. 34).

While a recent study of European countries found that the rate of infant mortality was immediately reduced after the introduction of universal health coverage (Strittmatter & Sunde, 2011), studies have also shown government expenditure on healthcare is as important as economic growth for improving health outcomes (Bokhari *et al*, 2007).

Austerity measures are also associated with reduced health outcomes as pressure on public finances reduces health spending.

A 2008 review of International Monetary Fund programmes in 21 countries over two decades showed that:

- the IMF programmes were associated with increased tuberculosis incidence and mortality, and that
- exiting the austerity programme was associated with decreased tuberculosis mortality rates.

In non-IMF programme countries none of these results were shown (Stuckler et al, 2008).

Problems with private health provision

In keeping with neo-liberal orthodoxy, many economists claim the private sector provision is more efficient.

However many of these claims simply do not stand up.

A 2012 report concluded that "the US health care system has been found to waste nearly one third of every medical dollar spent, bringing misspent funds to $750 billion a year." (IOM 2012)

That is more than the Pentagon budget and more than enough to care for everyone in the US who lacks health insurance.

Most of the waste came from unnecessary services ($210 billion annually), excess administrative costs ($190 billion) and inefficient delivery of care ($130 billion).

These findings show that while health systems are complex, the basic flaws of private provision are shockingly simple:

- the cost creates a barrier to people getting the care they need,
- the commercial incentives encourage people to spend money on stuff they don't need.

Comparisons between countries using OECD figures confirms these findings. (Tacke, Tilman, and Robert Waldmann, 2011)

Take countries such as Belgium and USA, which have similar GDP per capita and similar public spending on health care (at about 8.2% of GDP). However Belgium has only 2.7% of GDP in private spending for health compared to 9.1% in the USA, and despite the massive extra private spending in the USA, the USA has higher infant mortality and lower life expectancy than Belgium.

These misallocations are not just unfortunate – the diversion of funds costs lives.

Another study shows that the relative efficiency of public spending in reducing child mortality means that:

- without altering total healthcare spending, replacing all private spending by public spending could globally avoid nearly 5 million child deaths per year.

User pays and fees

Attempts to introduce pseudo-market forces for public health care also abound.

One example is forms of user fees.

However these mechanisms are often self defeating – especially in a development context.

Surveys in 89 countries, both low and high income, covering 90% of the world's population, suggest that 150 million people globally suffer financial catastrophe annually because they have to pay for health services (Xu *et al*, 2007).

People suffer financial catastrophe in both high and low income countries.

The World Health Organization shows that it is only when 'out of pocket' payments fall to below 15-20% of total health expenditures that the rates of financial catastrophes and the subsequent impoverishment falls to low levels (WHO, 2010).

PPPs – risks

Public Private Partnerships are also often promoted.

The OECD has warned against PPPs as a way to get debt off government books – although this is usually a motivating factor.

OECD guidelines also caution against PPPs with ill defined or uncertain future service specifications. However PPPs are often justified on the basis of outsourcing exactly this risk.

Incentives for corruption in private provision

Despite the general benefits of public provision, there are also specific risks associated with corruption in the privatisation process.

These risks are greatest in countries with weaker governance and oversight capacity, but these tend to be the countries where bank lending favours private sector involvement precisely because of the concerns about public sector capacity.

The outsourcing of public sector risk is an illusion as the government bears the debt burden and the service failure if the project collapses.

Governments also bear the burden of overpriced contracts when corruption occurs: a cost that is rarely acknowledged.

The private sector uses a range of strategies from outright bribes to state capture.

The role of drug company GSK in advising the WHO on Swine Flu has been widely reported.

And in the USA, three drug companies have been fined huge sums of money for corrupt marketing or mismarketing of their drugs. AstraZeneca paid $520m, Pfizer paid $2.3 billion, and GSK $3 billion (Hall, D, 2002).

Multinationals

Dealing with well established multinationals is no guarantee of probity.

Amongst the companies which have had to pay the largest penalties in the last five years under the USA anti-corruption law, are some of the largest companies in the world.

Table 1. Multinationals charged in USA with international corruption: largest settlements

1	**Siemens**	Germany	$800 million	2008
2	**KBR/Halliburton**	USA	$579 million	2009
3	**BAE**	UK	$400 million	2010
4	**Snamprogetti Netherlands/ENI SpA**	Netherlands/Italy	$365 million	2010
5	**Technip SA**	France	$338 million	2010
6	**Daimler AG**	Germany	$185 million	2010
7	**Panalpina**	Switzerland	$82 million	2010
8	**ABB Ltd**	Switzerland	$58 million	2010
9	**Pride**	USA	$56 million	2010
10	**Shell**	UK/Holland	$48 million	2010

Source: http://www.fcpablog.com/blog/2010/11/5/in-new-top-ten-eight-are-foreign.html

Concerns about private provision in building the Social Protection Floor

We note the Social Protection Floor initiative that has been put forward by the UN System and also endorsed by the IMF and the World Bank.

We welcome this but worry that funding from World Bank may be used to promote private provision of social protection.

Given the evidence, we think this would be contrary to the World Bank's development objectives.

So how do we get it right?

Benefits of consulting workers and unions in design of health reforms

Reforms must be based on the practicalities of delivering health services and not just on the fiscal aspects.

Consulting workers and their representatives is essential.

If the objective is the eradication of poverty, then human, labour and trade union rights must be observed.

Health sector reform must involve a broader strategy to empower health service workers and improve social dialogue.

Importance of decent work and skills development in providing quality public services in health care

Further, programmes that ignore the role of skills in health provision are unlikely to succeed.

Skills formation is linked to wage policy and wage scales. Low wages undermine skills formation.

Skills formation also has long lead times and requires careful planning and investment - only possible through public provision.

Consult health agencies

Further, and surprisingly, health agencies are often poorly consulted in reform programmes

The World Bank must speak more often with health (and other) agencies.

Policy implications

To conclude, it's clear that the privatisation experiment in health is failing.

If the World Bank is serious about a preferential option for the poor and serious about evidence based policy making, it will end its bias to market solutions.

If health care is to be used to fight poverty we must work on ways to improve public delivery, and involve workers and communities in decision making.

We must invest in skills and decent work.

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