

# What is the role of the state in health?

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The recent divide of opinion about the construction of the medical tower in Islamabad, the indication that another is in the pipeline for Karachi, signaling of investments underway in high-tech equipment, the organ transplantation bill and concerns expressed subsequent to its tabling and the debate around the much-hyped medical tourism raise two important contemporaneous questions about the role of the state in the health sector in Pakistan. First: what is the role of the state agencies with respect to 'health' within a 'social sector context'? And second: what is the role of state agencies with reference to the emergence of health as a 'sector' within a 'market economy' in Pakistan? These two dimensions of health may seem interlinked, but they are, for all practical purposes, separate paradigms and warrant specific lines of planning and implementing arrangements and therefore the need for clarity at strategic and operational levels.

In a nutshell, the first question links with the Alma Ata ethos, the Health for All strategy, the charters of Ottawa and the Bangkok – Pakistan is a signatory to all; in line with these, it places health as an essential prerequisite as well as an outcome of sound development policies. The answer to the first question is also embedded in the 'spirit' of Pakistan's commitment to meeting the Millennium Development Goals and reflected in Pakistan's strategy papers – the Poverty Reduction Strategy Paper, Medium Term Development Framework and the current Health Policy of 2001, weaknesses notwithstanding. Extricating the answer to question one by these parameters, it is clear that that it has to be embedded in reducing mortality and morbidity and the disparities

therein and striving to attain a good standard of health by all people in Pakistan. What is the role of state agencies in this context then? Foremost, it is to set the vision for the sector within the Constitutional framework of rights and privileges, values and principles and integrate the public and private sectors to deliver that vision. Operationally, this would entail a two-fold exercise.

First, and ideally it would be to deliver health services as a public good to the people of the country; pragmatically, however in resource challenged countries it is not possible to deliver all health services to all citizens and therefore the role of the state in countries such as in Pakistan is to outline a range of services it will deliver as a public good – what might be termed as the national essential health package. In the delivery of these services, the state needs to be clear about the coverage and the choices concerning those services, and most importantly, the means of their provision and the mechanisms. State agencies in health also need to deliver all services not classed in the above category to the segment of its population classed under article 38 of the Constitution through social protection measures. Both these objectives can be pursued in Pakistan by modernizing the public financing and provision of health services in order to make them efficient, effective, responsive and accountable so that they can provide the bulk of care through their own infrastructure or by leveraging the infrastructure of the private sector. This should underpin the creation of a National Health Care System in Pakistan and this is primarily the foremost role of the state in the health.

True that there is a private sector dimension to this role under Question One – and one that needs to be separated from what will be discussed under the second question. Here the private sector assumes importance as it can assist and augment the state's health delivery agenda. For example, as in the case of using private clinics and NGOs to get essential

services delivered, and involving the civil society, in strategic planning, in autonomous governance arrangements (as in the case of hospitals) and 'contracting out' management. Within this framework, the role of the state should be one of legitimate regulation, creating an enabling environment and developing the appropriate systems and procedures for public-private engagement with attention to safeguards. This calls for enhancing the capacity of state agencies for playing a contemporaneously appropriate and effective stewardship and governance role in the health sector.

The other role of the state under Question One is quality assurance of private sector health care through regulation. The private sector in Pakistan is huge and has many well documented problems with quality. It is the government's duty to facilitate the private sector in general and this holds true for the health sector as well. However, the government also has a fiduciary responsibility in this regard given that health is one of the social services. Therefore, the key challenge is to foster, promote and strengthen private sector healthcare delivery and balance it against quality and patient safety while safeguarding the interests of the poor and the marginalized. With respect to the role of the state therefore, this underscores the need to address two issues. The first relates to quality assurance and links in with the need to create a regulatory mechanism for quality such as a national institute of health care quality. The other relates to developing means of using public funding to ensure that poor people who access health services through private providers are not disadvantaged or discriminated against. This in turn relates to factoring in waiver and exemptions in the existing social protection mechanisms at the level of private providers.

The second question is related to the role of the state agencies with reference to the emergence of health as a 'sector' within a 'market economy'? Here 'private' has a

'commercial connotation'; by way of contextualizing the subsequent discussion, it may be opportune to point out here that the healthcare industry is the world's largest industry with global revenues estimated at US\$ 2.8 trillion. Perhaps it is the largest industry in Pakistan as well. In this context, there are a number of considerations worthy of merit.

First, the much talked about 'medical tourism' which can present an opportunity for hospitals to fuel growth by tapping the potential of the international patient market. In relation to the role of the state foremost, an important caveat here is that public resources earmarked for health should not be used to promote medical tourism at the cost of essential health services as there is little benefit to serving the equity objective in health except indirectly through improvements in quality. However as this is an industry, the private sector should be encouraged to analyze opportunities, spearhead sectoral development and formulate strategies to improve their competitiveness. In this context however, the level of facilitation by the state should be guided by the potential that medical tourism holds in Pakistan with reference to fueling growth. A careful analysis shows that medical tourism has limited potential in Pakistan for a number of reasons. The success of medical tourism depends on many factors: high degree of sophistication of indigenous health systems, high quality of health care at low costs, an expatriate-friendly environment and a well developed tourist industry being the foremost; based on these criteria it is clear that the medical tourism industry would not have an emerging trend in Pakistan at least in the short to medium term. On the other hand, Pakistan is unfortunately being ranked amongst the few countries where transplant related-tourism is burgeoning – an issue brought increasingly to the limelight recently in the aftermath of the tabling of the organ transplant legislation. What would be the role of the state in this situation? Clearly, it is to build ethical safeguards through policy and legislative measures and their effective implementation so as to curb the existing unfortunate practices, which have been

propelled by huge vested interests.

The second area of note is the post WTO-agreement on liberalization of services. Pakistan is a member of the World Trade Organization and signatory to the Agreement on Trade in Services (GATS); under this, member countries agree to make services trade more open to other countries with the essential aim of further liberalizing services that have traditionally been under the public domain. The main concerns with GATS have been along the lines of concentrated ownership and concerns about some rules that affect the ability of the government to hold companies providing these services, accountable. In addition mainstreaming of curative services on free market principles and the promotion of high-end care would be at the cost of prevention in which the private sector has no incentive to invest in any case. In the wake of these potential challenges, the government must enhance its own regulatory capacity to look at these contemporaneous globalization-related issues as they impact the delivery of health services.

The third area where market mechanisms cross cut with health is in the area of the export of generic drugs. Pakistan has a fairly large local pharmaceuticals manufacturing industry and growth of the sector as an industry in the neighboring countries raises the question of how we can enhance our revenues and pursue export targets by strengthening this industrial base. In the post-TRIPS scenario, with stronger patent protection, governments are under obligation to enhance research and development base of the local industry and the question of how this can enhance the above mentioned objective becomes even more important. Here it must be recognized that manufacturing and export is dependent on the economic policy framework, patent regime and other regulatory arrangements in a country and that a range of actors in the state's system outside of health such as trade, investment, intellectual property rights and consumer protection have a role in this

area. However at the same time, it must also be recognized that pharmaceuticals is one of the critical inputs into the health system and that the foremost role of state agencies mandated with a role in health is to ensuring the sustainable supply of quality, efficacious and safe drugs in health systems. What is the overarching role of the state here then? It is to bring clarity in agency roles, responsibilities and prerogatives in relation to pharmaceuticals as a critical input to health systems vis-à-vis pharmaceuticals pursued as an export target.

The fourth area is that of institutional-based private practice; there have been many attempts in various parts of the country aimed at mainstreaming this approach on the premise that this will enhance institutional efficiency; some of these have been successful as in the case of Punjab Institute of Cardiology whereas others such as in the case of NWFP have been unsuccessful for reason that are beyond the scope of this discussion. Increasingly, many a times a case is made for the use of public money earmarked for health on tertiary care infrastructure on the premise that it promotes institutional-based private practice. In this regard, the role of state agencies is to ensure that such investments are made only if they can improve performance and efficiency to meet the equity objective in health.

Finally, another commercial consideration in health is one of private health insurance – questions relating to its potential in Pakistan have frequently emerged. Here it should be recognized that private health insurance is just one of insurance arrangements in health and that its growth is generally paralleled with economic growth in general and growth of the formal employment sector where employers subscribe to health benefits. Through the current FDI policy of the government of Pakistan and the Insurance Ordinance 2000, an enabling environment has been created for the insurance industry in general; however, the health sector

cannot benefit from this significantly because of a number of limitations: fragmentation of the provider market and the predominance of the workforce in the non-formally employed sector being foremost. As a result of this, health management agencies do not find the incentive to operate in the country. This is evidenced by the current situation – group health insurance is offered by seven insurance companies and individual health insurance by only one company, which is Allianz-EFU. In this context therefore, while the state can pursue measures to give financial incentives, albeit with safeguards to regulate practices of private health insurance agencies, this should be with the realization that many other factors influence the growth of private health insurance. There is an important caveat here: easing of insurance regulations and opening up of the sector should be on the premise that the formally employed private sector will subscribe to this and clearly with the understanding that is not a substitute for the states role in financing health.

In summary therefore, health should be regarded as a fundamental human right and a key component of the social sector. In this era of liberalization however, the health sector also cross-cuts with the market mechanism in many areas and stands out as an industry.

As the magic of the market creates opportunities to enhance efficiencies in the health sector in Pakistan with the indirect possibility of the under privileged benefiting, the state needs to be cognizant of the potential that these have to create inequities and must regard its responsibility for social welfare as a priority to bridge them.

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