

Health Without Wealth?

The Case of Sri Lanka



Descriptive data on Sri Lanka (2002)

- ❑ Mid year population: 19,007,000
- ❑ GDP per capita US\$: 872
- ❑ GDP growth 4%
- ❑ National Savings as GDP% 19.7%
- ❑ Govt. expenditure on health: 1.6% of GDP (~14 US\$ pc)
- ❑ Private expenditure on health: 1.8% of GDP (~16 US\$pc)
- ❑ Human Development index ranking: 89/173 (value 0.741)
- ❑ Per capita income ranking: 108/173
- ❑ Infant mortality: 12.2 per 1,000 live births (2001).
- ❑ Access to safe drinking water: 70%
- ❑ Population below US\$ 2 a day: 45% (1995)
- ❑ Hospital beds: 3.6 per 1,000 persons
- ❑ Doctors: 2,300 persons per doctor
- ❑ Nurses: 12.1 per 10,000 persons

Sri Lanka and US comparison

Health related indicators	Sri Lanka	United States
Life expectancy at birth (Total)	73	77
Child mortality (<5 per 1000)	16	8
Years of life lost to poor health	11.5	9.5
Expenditure as GDP%	3.4	13
per capita PPP \$s on health	120	4,500

The United States spends 4 times the proportion of its GDP and as much as 37 times more per person, for a relatively modest improvement in its health indicators.

A Paradigm for Development

There has been general consensus on the fact that per-capita income is not an adequate indicator of aggregate well-being. Social indicators have thus become an important element in assessing development.

An early view of development held that high incomes were both NECESSARY and SUFFICIENT for poor countries to raise social indicators such as health care. e.g. Streeten, Paul (1979) "From Growth to Basic Needs" *Finance and Development*, 16(3), pp. 28-31.

Why discuss Sri Lanka?

An example that questions the paradigm:

The “Necessary and Sufficient” view was soon challenged and as early as 1980 the EXAMPLE of Sri Lanka’s performance in health indicators led the charge. SRI LANKA WAS THE EXCEPTION that was used to question the rule.

e.g.

Isenman, Paul (1980), “Basic needs: The case of Sri Lanka”, *World Development*, 8(3), pp. 237-258

Sen, Amartya (1981), “Public action and the quality of life in developing countries” *Oxford Bulletin of Economics and Statistics*, 43(4), pp. 287-319

Why discuss Sri Lanka?

The lessons that could be learned:

Sen (1981) identified that if health achievements were based on income levels, then the life expectancy of Sri Lanka corresponded to a country that generated 20 times more wealth in terms of per-capita GDP.

Since then, the question of HOW Sri Lanka achieved “Health” without “Wealth” has been the cause of regular academic and policy debate.

Debating the Tradeoffs

The importance of Social Spending vs. Investment in growth?

On the question of HOW? Isenman and Sen had argued that Sri Lanka's achievements were due at least in part to high and effective social spending.

However Bhalla and Glewwe (1986) disputed these claims. They argued that although the LEVELS of social indicators were high relative to income, the IMPROVEMENT in these levels were not exceptional. In other words that the focus on social spending over investment was actually retarding the progress of the social indicators.

Investment and Social Spending

Substitutes or Complements? Which is more important?

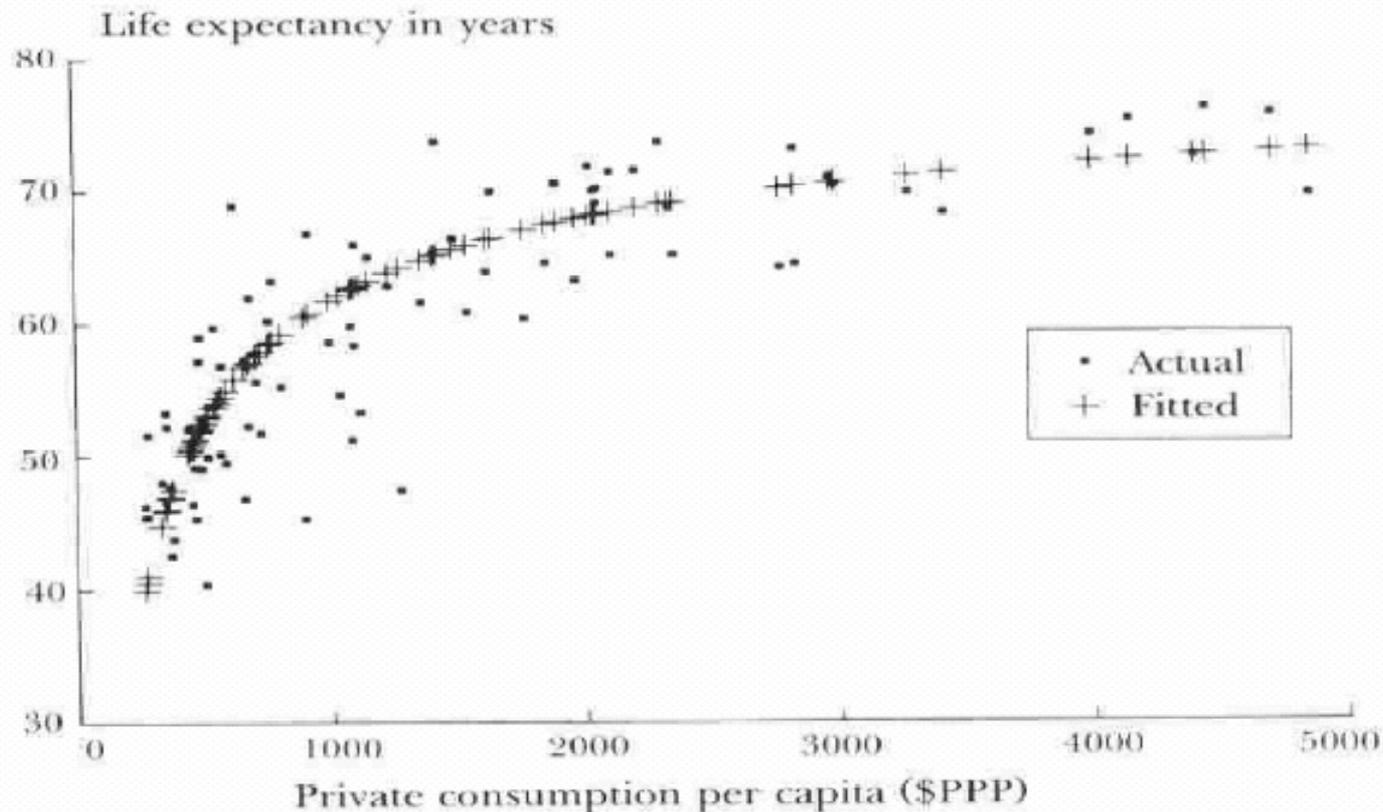
Though the regression results of Bhalla and Glewwe have since been called to question the focus of the debate changed from LEVELS of social indicators to their IMPROVEMENTS.

Two papers in the 1990s (1) Anand and Kanbur and (2) Anand and Ravallion helped to resolve this question by demonstrating (with regard to infant mortality rates) that:

1. Both income growth and welfare spending matter for the improvement of social indicators, but that Welfare spending matters more.
2. That growth matters primarily through creating the means to increase welfare spending. (i.e. growth matters indirectly).

Correlation with Income Growth

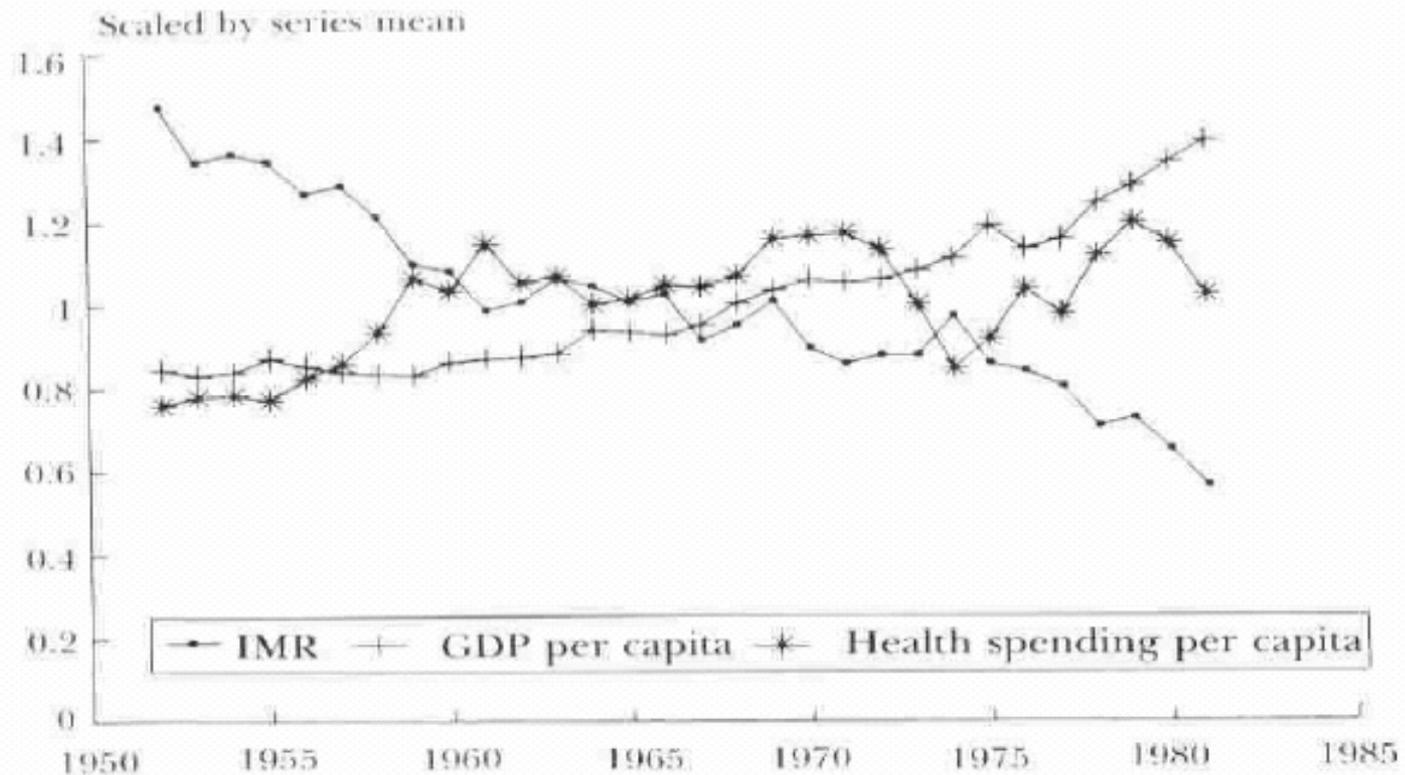
Life Expectancy at Birth and Private Consumption per Capita for 86 Developing Countries in 1985



From Anand and Ravallion (1993)

Early trends in Sri Lanka

Infant Mortality Rate, Real GDP per Capita, and Real Public Health Spending per Capita, Sri Lanka, 1952–1981



From Anand and Ravallion (1993)

Emerging Consensus...

Aturupane, Glewwe and Iseman (1994), "Poverty, Human Development, and Growth: An Emerging Consensus", *American Economic Review* 84(2), pp. 244-249; **make a useful cross country analysis of data that helps to forge a consensus (summarised on left).**

Conclusion: Statistically, income growth (IG) is seen to be positively correlated with IMR indicators. But IG is *NEITHER necessary NOR sufficient* for this relationship to hold. The efficacy of IG, then, depends on other factors that need to be identified and investigated.

	Reduced income growth	Increased income growth
Better IMR indicators	Many Latin American countries	Many East Asian countries
Worse IMR indicators	Many African countries	Many south Asian countries

What factors need to be investigated?

- Trans-sectoral Allocative Efficiency
 - The relationship that poverty and illiteracy have to health problems is well document. Spending in these sectors can substitute for spending in health care and the linkages to such sectors is likely to be evolving
- Allocation of Income growth
 - How is the additional income channeled back in to related sectors such as poverty reduction, primary education as well as health care. Income growth at the expense of such investments at the very best constitute a transfer of welfare from present to future generations.
- Methods of resource allocation within the health care sector
 - Inter-sectoral allocations and targeting of resources

How does Sri Lanka afford a free public health care system so cheaply?

- ❑ Through sustained historical investment in health infrastructure.
- ❑ Through an incentive structure that sources doctors at a low cost
- ❑ By creating additional layers of costs for users
- ❑ By encouraging those with concerns for consumer quality to opt out
- ❑ By providing a quality of service that ensures the support of the middle class

Sri Lanka's Health Indicators (2000)

- Additional positives (mainly in MCH and FP)
 - 98% of pregnant women are attended to by trained personnel both before and during delivery
 - Fertility rate has dropped to replacement levels (with over 70% of married women in childbearing age using FP).
 - Over 90% of pregnant women are immunized with tetanus toxoid
 - Immunization coverage is high with over 80 of infants having received all the necessary vaccines by their first birthday.

- Some glaring Negatives
 - 29.4% of children below 5 have suffered from under-weight (low weight for height)
 - 13.5% of children below 5 suffer from stunting (low height for age)
 - High proportion of pregnant and lactating mothers suffer from Anaemia (Hemoglobin < 11g/dl)
 - Over 15% of new borns in government hospitals have birth weight of under 2500 grams (suggesting maternal under-nutrition).
 - 70% of the population live in areas identified as having iodine deficiency in the population

Challenges of Globalization for Sri Lanka

- ❑ Migration of medical personnel (trained doctors and nurses)
- ❑ Inflation in the health care sector due to introduction of new technology
- ❑ Escalating cost of drugs (particularly in relation to intellectual property issues)

Issues for discussion

- ❑ Should Sri Lanka introduce user fees to increase the resources available for the delivery of health care?
- ❑ Would it be better to replace the general tax based financing of health care with a public health insurance mechanism?
- ❑ Should the public sector be involved in both financing AND provision of health care, is it sufficient to play the role of facilitator ensuring good allocative and regulatory mechanisms?
- ❑ What are the equity considerations with regard to taxation and delivery of health care and how can they be assessed in Sri Lanka?